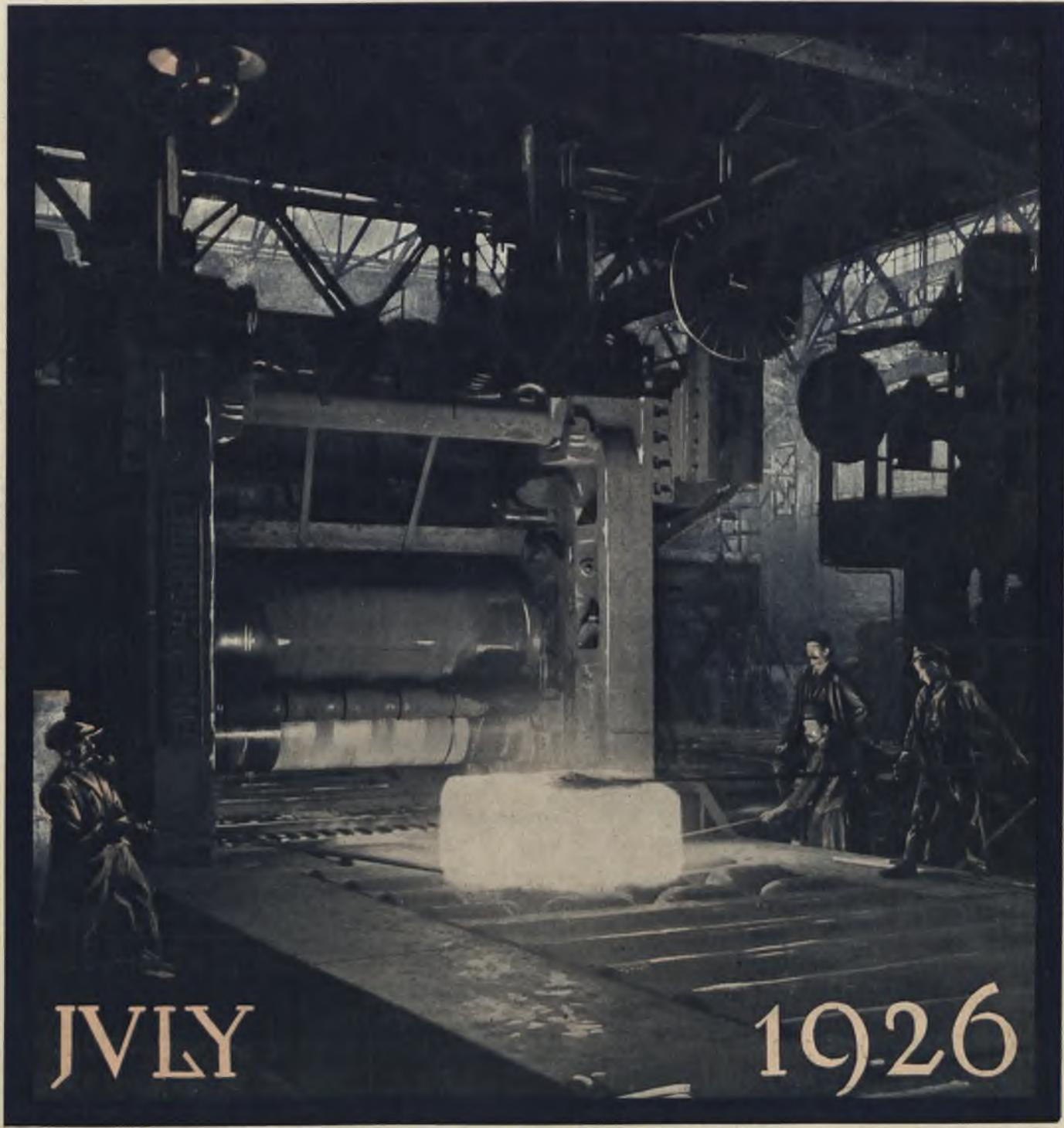


THE POLISH ECONOMIST

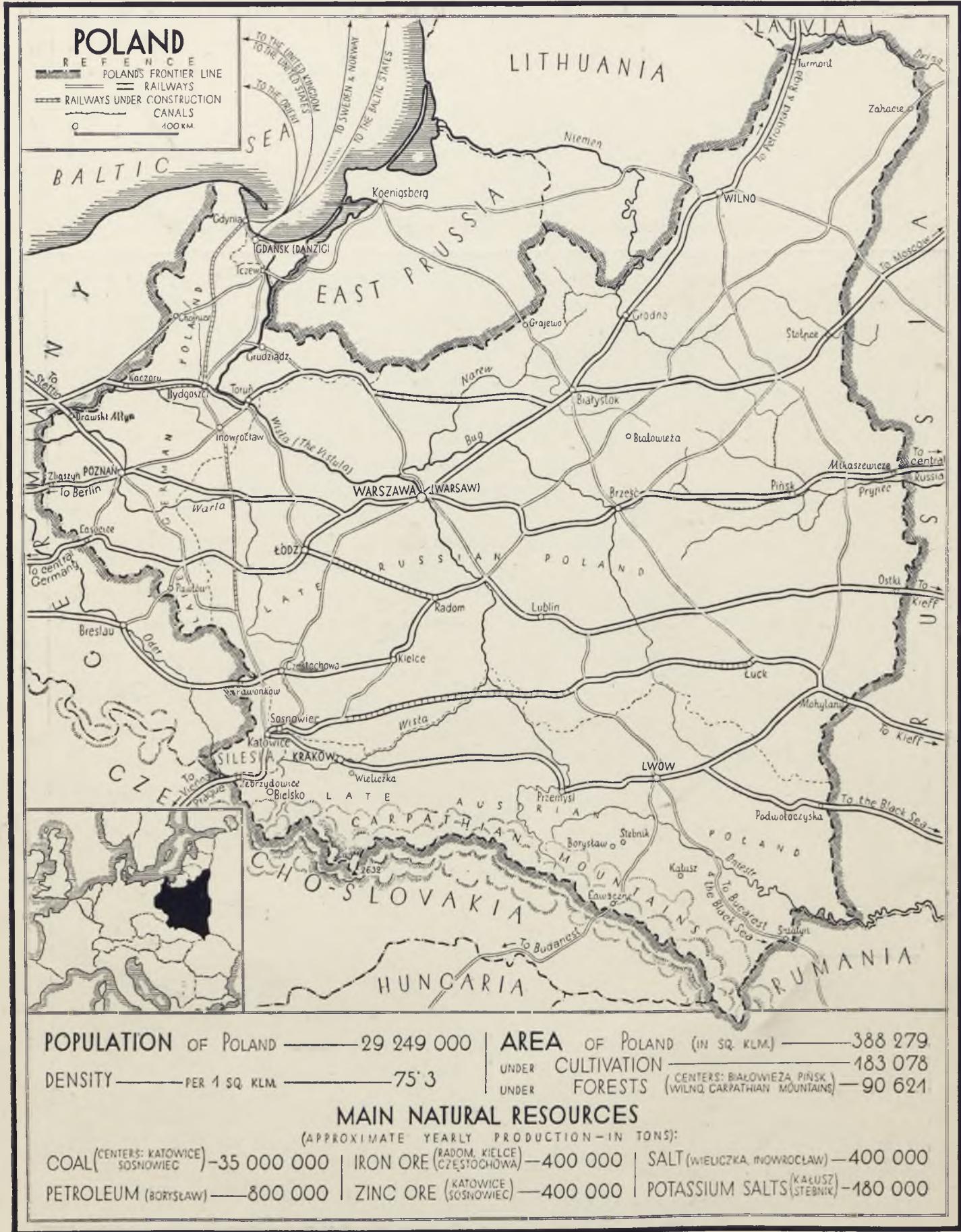
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THE POLISH ECONOMIST

A MONTHLY REVIEW OF TRADE, INDUSTRY AND ECONOMICS IN POLAND

W A R S A W
2, ELEKTORALNA

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47-A, PORTLAND PLACE W. 1

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P. T.

To meet the requirements for accurate and reliable information on the part of the business world abroad, interested in the national economy of Poland, we have decided to issue in Warsaw a Monthly Review of Trade, Industry and Economics

THE POLISH ECONOMIST

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Yours faithfully,

THE EDITOR

THE POLISH ECONOMIST

A MONTHLY REVIEW OF TRADE, INDUSTRY AND ECONOMICS IN POLAND

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COVER ILLUSTRATION: FRAGMENT OF AN IRON FOUNDRY IN POLISH UPPER SILESIA

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FROM the economic point of view the month of May was on the whole satisfactory. This fact is remarkable when it is considered that it was during that month that the political change took place in Warsaw. As is shown by the figures, the May events did not seriously affect the situation; on the contrary, the crisis which for the last few months has been felt rather badly was lessened in May showing a marked tendency towards improvement.

As a result of heavy rains the agricultural situation felt some depression; crops in some parts have been damaged and the prospects which were good at the beginning of the season are somewhat less favourable. There is even some apprehension regarding the final results, and doubts are being expressed in agricultural circles, as to whether this year's crops will be as good as those of last year.

In manufacturing industry and mining, small but steady progress is noticeable. This is revealed by the gradual decrease in the number of unemployed and by a more intensive activity in the staple industries. The satisfactory conditions prevailing on the market are not affected by the recent increase of the miners' wages.

The foreign trade balance continued to be favourable showing a much larger increase of exports over imports than has been expected. This result is due to the fall in imports and the advance of exports.

Owing to the inflow of foreign exchange for exports, the Bank of Poland was in a position to increase its reserves of foreign currencies, and in this way to strengthen the cover of the złoty. It should be noted that about the same time the Bank of Poland effected substantial payments

abroad on account of the settlement of foreign loans. All liabilities are being paid as and when they fall due.

Tax receipts in May were collected as anticipated, while the revenue from monopolies and State-owned enterprises was in excess of the estimates. This enabled the budget for May to be closed with a considerably smaller deficit than has been expected.

Steps have been taken with a view to changing the method of budgeting, and it is hoped that an equilibrium in this respect will be a matter of but a few months.

In connection with the May developments, the złoty exchange was subject to certain fluctuations, but subsequently it recovered and returned to its previous level.

REVIEW OF THE GENERAL ECONOMIC SITUATION IN POLAND

May 1926

	UNIT	MAY 1925	APRIL 1926	MAY 1926
STATE OF EMPLOYMENT: UNEMPLOYED		173,140	320,512	304,113
PRODUCTION: COAL	thousand of tons	2,443.6	2,182.4	2,230.—
OIL		68.0	68.2	69.1
IRON		28.8	20.8	22.9
AGRICULTURAL INDEXES: (CROP PROSPECTS)				
RYE		8.8	3.0	2.9
WHEAT	(5 points system)	3.8	3.2	3.4
BARLEY		3.1	3.1	3.2
OATS		3.2	—	3.3
PRICES: WHOLESALE PRICE INDEX	(1913 = 100)	118.0	166.6	181.2
INDEX OF COST OF LIVING IN WARSAW		143.2	175.6	183.2
FOREIGN TRADE: IMPORTS	million £	185.6	118.8	106.4
EXPORTS		105.9	163.1	181.8
EXCESS OF EXPORTS (+) OR IMPORTS (-)		—79,750	+44,338	+75,412
TRANSPORTS: RAILWAY TRAFFIC	truck loadet (15 tons) reg. ton	333,000	307,800	315,000
PORT TRAFFIC (DANZIG AND GDYNIA)		148,800	277,700	279,700
BUDGET: RECEIPTS	million £	161.3	136.7	136.6
EXPENDITURE		146.2	144.8	148.9
MONEY CIRCULATION: BANK OF POLAND NOTES	million £	557.1	392.9	413.0
COVER IN GOLD AND FOREIGN CURRENCIES	% million £	51.19	33.27	32.25
TOKEN COINS	% million £	207.6	435.8	442.2
CREDIT: (BANK OF POLAND)				
BILLS DISCOUNTED	million £	296.6	303.3	302.9
OFFICIAL DISCOUNT RATE	% %	10 %	12 %	12 %
FOREIGN CURRENCIES: (WARSAW STOCK EXCHANGE-AVERAGE RATES)	£	5.18½	9.01	10.55
U. S. A. DOLLAR		24.91	43.96	51.25
POUND STERLING				

THE POST - WAR ECONOMIC SITUATION IN POLAND

DESPITE the fact that a large majority of European countries are still facing economic difficulties arising from the Great War, it is to be noted that in most of the States concerned economic life is gradually returning to a normal basis.

In Poland signs of the war are still visible in every province, not only because the conflict came to an end some two years later, but also — and this should always be remembered when dealing with problems relating to Poland — because the country sustained much heavier damages than any other combatant. These damages were inflicted upon a defenceless country deprived at the time of its independence, and it is to be born in mind that although this has been recovered, the newly formed

State is still too weak to be able to make its recovery in a short space of time without external assistance.

These hard facts are still remembered by the Polish nation which is sparing no effort in the direction of economic reconstruction. However, insufficient knowledge of the conditions prevailing in Poland leads many foreign critics to erroneous conclusions — a natural happening when the different perspective of the foreign point of view is considered.

It is too frequently forgotten that Poland was under alien rule for some 120 years, and that it is composed of three partitions the rulers of which intentionally raised economic and political barriers calculated to divide the nation. During this long period the people lived under different conditions, were ruled by different laws, were engaged in work for different markets, and finally were compelled to develop their national husbandry according to the requirements of their respective rulers. Each of the partitions while under foreign domination, was made to suffer economically in some way or other, and everywhere the nation's efforts were deprived of the care and guidance, which a national government alone can provide.

Such were the conditions at the time of the outbreak of the Great War a large portion of which was fought on Polish territory. Touching upon this subject it should be noted that the comparatively small territory of Belgium was occupied in the course of a few weeks, and that only certain of the Northern Departments of France were subject to destruction and presented a scene of military operations, whilst on this side the whole of Poland, four times as large as the occupied areas of France and Belgium together, was the scene of extensive

military action during the six years from 1914 to 1920, i. e. until the conclusion of peace between Poland and Soviet Russia. At the expiration of this period two thirds of the Polish territory were deprived of railways, permanent ways, bridges; factories, towns and villages were burnt down by the retreating Russian armies, the population forcibly removed to Russia, whilst factories were either evacuated or blown up.

The new Polish State has arisen Phoenix-like from the ashes left behind by the retreating Russian and German armies. While it was forced to take over the liabilities of its former rulers, it had no assets except the soil and the population. The railways had practically no rolling stock, the army was short of arms and clothing, the farmers were roofless, without cattle and implements, whilst factories and industrial plants were in most cases unable to set to work, owing to the total lack of machinery and raw materials. There was not a single ship sailing on the seas under the Polish flag. Practically nothing has been received in the way of reparations, and external assistance has been but small. Finally the Russian, German and Austrian currencies which were the former medium of exchange had ceased to exist, and together with them were lost all the savings and the liquid capital of the Polish citizens.

Under these circumstances, after the compulsory retirement of the German forces from Poland in 1918, the nation embarked upon a policy of reconstruction. Faith was placed in the eagerness to work on the part of the population of about 30 million, as well as in the fertility of the soil and the natural resources of the land, such as coal, petroleum, salt, iron, zinc etc.

With but limited help forthcoming from abroad

DIFFICULTIES IN THE STABILISATION OF THE ZŁOTY

SINCE September 1925 the balance of the Polish foreign trade has shown a favourable trend*). During the past nine months the excess of exports over imports represents over 400 million gold złoty. Yet this favourable turn in the foreign trade is not reflected in the balance-sheet of the Bank of Poland. As is well known, three months credit is a custom with international trade. Therefore the surplus of exports over imports was devoted to the payment of liabilities incurred during the time when the foreign trade balance was showing a deficit. Since December and especially since January last, the reserve of foreign currencies of the Bank of Poland should have shown an upward tendency. Yet in point of fact, contrary to what one would expect, the volume of business in foreign currencies done month by month by the Bank of Poland, from December 1925 up to June 1926, has not increased as is evidenced by the following statement (in million zł):

Month	Bought	Sold	Balance
December . . .	64·9	48·1	+ 16·7
January . . .	51·7	51·8	- 0·1
February . . .	56·3	57·8	- 1·5
March . . .	49·1	60·0	- 10·9
April . . .	43·2	41·1	+ 2·1
May . . .	41·8	39·3	+ 2·5

It will be seen, that the balance of the foreign currency movement of the Bank during that period amount to only zł 8·8 million, while the balance of foreign trade for the same period was zł 146 million. A riddle arises as to where the surplus of currency for exports has gone.

The solution lies in the redemption of liabilities incurred abroad, and in the hoarding of foreign currencies by the public. Settlements of foreign loans represented in million zł are given below:

December . . .	3·8
January . . .	15·3
February . . .	1·0
March . . .	2·1
April . . .	6·9
May . . .	11·8

The above figures show that a sum of 40·9 million gold złoty was devoted to the payment of instalments and accrued interest. The remainder

*) See page 27.

as regards capital, Poland found sufficient strength to rebuild its railways, to place agriculture on a proper footing as a staple industry and to set the majority of factories in operation, while big strides were also made in the organisation of the army and the civil service.

The achievement of both the labouring and the intellectual sections of the population, and the gains made in the exploitation of the natural resources during the last eight years, have proved beyond doubt that Poland is capable of further economic development, but it is equally true that if she is to perform the work of reconstruction by herself, without any assistance, progress will necessarily be slow, and the methods of working the soil and the mineral reserves will not always be the most efficient. This statement is confirmed by the prolonged existence of the economic crisis. This crisis is due to the fact that while actively engaged in the restoration of farms devastated by the war, the population has at the same time had to contribute towards the maintenance of the civil service, which being a new one is unavoidably very costly. The tax-payer having been unable to meet both these obligations in a satisfactory manner, the purchasing capacity of the consumer had been greatly limited. With regard to industry this cannot prosper without markets in which to sell its products, and even when it is in possession of these, it cannot be expected to develop without adequate credit facilities.

The economic crisis Poland is now confronting reveals a striking disproportion between a large and varied production on the one hand and a limited consumption on the other. The main source of the disproportion lies in the inadequate inflow of foreign capital to the potential wealth of the Polish economic structure.

has mainly been absorbed by hoarding. Poland's assets are equal to her liabilities. In view of substantial and continuous excesses of exports over imports, even a comparatively small loan would contribute towards the stabilisation of the currency. Professor Kemmerer calculated that a loan of 15 million dollars would suffice. This sum, small as it is, would be likely to create a situation similar to that of 1924 when in consequence of stabilisation and restoration of general confidence in currency the reserves rose sharply.

Various items in the budget had gradually been cut down, reducing thereby the estimate of State expenditure for 1925 from $\text{X} 2,150$ million to $1,730$ million for the current year, further reductions being contemplated for the future. The budget deficiency for the first five months of this year amounted $\text{X} 60$ million, and when it is taken into consideration that the anticipated deficiency was $\text{X} 200$ million, then it must be recognised that such an adjustment of the budget reduced the deficit in a somewhat radical manner. The extent of this effort should be measured by taking into account that the reductions in the expenditure were effected during a period when the złoty was falling and prices were rising. It is

EXPOSÉ OF THE NEW MINISTER OF FINANCE

ON JUNE 22nd the new Minister of Finance Mr. C. Klarner on the occasion of the submission of the budget to the Parliament, delivered a speech in the name of the Government, in which he gave an outline of the economic situation in Poland, and indicated the steps to be taken with the view to overcoming the present financial and economic difficulties.

The deficit shown in the state budget for the year 1926 is considered by the Minister as being a phenomenon of a transitory character. He was certain that this deficit would be done away with in the course of the next few months without any special sacrifice on the part of the community. Further reduction in State expenditure must be effected. These, however, should not touch the productive side of the budget; the salaries of the civil servants should not be cut down, as they are already very low.

A policy of economy should be exercised by way of reorganisation of the State administration which in some parts of the country is not as efficient as one would wish. In addition, certain State revenues may and should be increased, to begin with revenue from State-owned enterprises and monopolies, but taxes least of all. It is also contemplated to increase the price of spirits.

The equilibrium of the budget is only one of the elements of the general economic reconstruction. It is a problem of paramount importance — the stabilisation of the situation in general. Of course the first matter to be dealt with is the stabilisa-

therefore not so much the nominal reductions effected that are worthy of note, when judging the results, but the real ones should be also taken into consideration.

Under post-war conditions the budget does not always protect the currency against fluctuations. An illustration of this is Estonia. Despite the state of equilibrium of the Estonian budget, dating since 1921, the Estonian exchange market was subject to considerable fluctuations. A sharp fall of the rate of exchange of the Estonian mark occurred in the spring of 1924. A large deficiency of the foreign trade balance was the cause of these fluctuations. The experience of Estonia proves that besides the equilibrium of the budget, the active balance of the foreign trade is another important factor in the stabilisation of the currency. Of the two factors Poland has one, and that is a good foreign trade balance, and every effort is being made to attain the other, in the face of tremendous difficulties.

The analysis of the economic situation of Poland reveals that a comparatively small credit would suffice to stabilise the currency. The situation in July 1925 when Poland succeeded in floating on the American market the 2nd portion of the Dillon loan of \$ 15 million, would be repeated as this

tion of the currency. Having a favourable foreign trade balance, Poland is in a position to attain budgetary equilibrium without resorting to inflation, consequently there is no reason why the złoty should fall. As in many other countries, the only cause of the fluctuations in the exchange is the lack of confidence in the stability of post-war economic conditions.

The Government should be very careful to adopt a policy which will inspire the confidence of the community. This increased confidence will automatically bring forth the foreign currencies hoarded by the public, while that on the part of foreign countries will facilitate the obtaining of credits for productive purposes. In order to increase confidence in the Polish currency, the Government will introduce deposit accounts in gold złoty and in dollars in the State Banks.

The policy as outlined should also lead to a betterment of industrial conditions. Credit is the main factor but it is too dear in Poland. In view of this the Government has decided to get down the discount rate of the Bank of Poland. Further, the Government would increase the amount of money in circulation by the development of the gold reserves of the Bank of Poland.

Under these conditions Poland should gradually improve her economic position.

POLAND'S COMMERCIAL TREATIES

WITHIN the limits of this article it would not be possible to undertake a complete analysis of Polish commercial policy, and of the numerous treaties Poland has concluded with other countries

during last few years. In the following table are indicated some particulars of the said treaties and the agreements appertaining to them:

Country	Date of signature	Made operative
Rumania	1.7 1921 Bucharest	1.12 1922
France	6.2 1922 Paris	20.6 1922
Italy	12.5 1922 Genoa	30.3 1923
Switzerland	26.6 1922 Warsaw	20.8 1922
Austria	25.9 1922 Warsaw	15.1 1923
Yugoslavia	23.10 1922 Warsaw	20.4 1924
Japan	7.12 1922 Warsaw	18.1 1925
Belgium & Luxemburg . . .	30.12 1922 Brussels	5.10 1923
Turkey	23.7 1923 Lausanne	17.4 1924
Finland	10.11 1923 Warsaw	18.9 1924
The United Kingdom.	26.11 1923 Warsaw	1.7 1924
Iceland	22.3 1924 Warsaw	28.8 1924
Denmark	22.3 1924 Warsaw	28.8 1924
Holland	30.5 1924 Warsaw	5.6 1925
Sweden	2.12 1924 Warsaw	15.7 1925
France	9.12 1924 Paris	10.7 1925
Persia	15.3 1925 Warsaw	—

loan would enable the Government to cover the food deficiency and to maintain the exchange of the złoty, until the marketing and the sale of the new crops, and change thereby the adverse foreign trade balance into a favourable one.

Unthinkable as it may appear the stabilisation of the Polish currency cannot be effected owing to lack of some 15 million dollars.

The fact that these credits were not forthcoming had a very bad effect on the amelioration of conditions in the European continent. Poland was compelled to forego her liberal customs policy and to cut down sharply her imports in 1925. The average monthly imports in 1925 before and after the fall of the złoty are shown by the following figures (in million gold £):

1st semester 1925	174.7
2nd " 1925	90.5
1st " 1926	58.1

An imposing step back for a period during which the currency was to be stabilised and consolidated, and the international trade situation improved.

At the present time stabilisation cannot be achieved, owing to the lack of this small sum of 15 million dollars. There is credit ostracism despite the

fact that Poland belongs to the class of punctual debtors and pays its liabilities as they fall due in spite of enormous difficulties. Had it not been for the settlements of liabilities contracted abroad amounting in round figures to 85 million gold złoty per year, the Polish Bank, in view of the large amounts of foreign currencies held by the public, could have easily proceeded with the stabilisation of the currency.

One can hardly be expected to pay debts and to stabilise currency at the same time. Naturally, the first duty is the payment of debts, and that is why the scheme of stabilisation of the currency from internal resources comes next. What influence this has on the economic improvement is shown by the figures of imports into Poland in the first half of the year 1926 when they decreased to $\frac{1}{3}$ of those of the first half of 1925.

Deprived of the influx of foreign capital, Poland has been compelled ever since her restoration to struggle against difficulties, and is a sort of shield protecting the capitalistic system. Poland has been given the task to defend the capitalistic structure without herself having any capital with which to work. No other State had to solve such an interesting problem.

Country	Date of signature	Made operative
Hungary	26.3 1925 Budapest	14.9.1925
Czechoslovakia . .	23.4 1925 Warsaw	
Greece	17.4 1925 Warsaw	25.9. 1925
The United States of America . . .	10.2 1925 Washington	10.2 1925
Bulgaria	29.4 1925 Sofia	

In general it may be observed that Poland had to start after her re-establishment in 1918 an

the absolute necessity of saving the trade balance which for a very long period has constantly proved adverse, thus affecting very unfavourably the financial situation of Poland. This has changed now because during September last Polish trade balance became distinctly active and has remained so since that time. During the summer of 1925 the customs war with Germany began, which has only contributed to the maintenance of import prohibitions and the strengthening of trade restrictions in general. The present negotiations, however, between Poland and Germany for a commercial treaty lead one to hopefully anticipate an ending to this customs war*).

But in spite of all this, the Polish commercial policy, as on the occasion of negotiations for commer-



HOLIDAY FAIR IN A POLISH PROVINCIAL TOWNLLET (Phot. J. Rys)

entirely new commercial policy of her own. This has naturally influenced her attitude towards other countries, as regards entering into treaties with them. About three years were spent in preparing the ground for treaties, and Poland's first commercial agreement with one of her neighbours, viz. Rumania — was signed in 1921. Since then, as may be seen in the above table, twenty two commercial agreements have been concluded with twenty one foreign countries. As for the main features of these conventions, it may be said that after all, free trade ideas are established at the bottom of Polish commercial policy, which is expressed in making treaties under rather liberal tendencies. This might be gainsaid by practices of various trade restrictions, such as import prohibitions, systems of licences etc. But that is easily explained. One must bear in mind that the said restrictions — by the way, now considerably decreased as against the situation a few years ago — have been forced on the country by

cial treaties with other nations, has been most liberally expressed. This applies to practically all those agreements entered upon since 1921. Their foundation is always the principle of the most - favoured - nation treatment (certain restrictions being provided for only in the conventions with Austria and Finland) with regard to persons and merchandise.

The treaty of commerce and navigation between United Kingdom and Poland of 1923 represents a condensed form of such an agreement. With a few exceptions it provides for general features only, being drawn up according to the British standard of treaties. It has been extended to quite a number of British Colonies and protectorates in Africa, Asia and America.

*) Its reasons and meaning are dealt with in another column (see page 8).

The agreement with United States of America of 1925 has been concluded as a *modus vivendi* providing for merchandise questions only. Negotiations for a detailed treaty of commerce and navigation between the United States and Poland have unofficially begun since October last.

Other Polish commercial conventions are almost always rather ample and detailed. The main ones are those with France and Czechoslovakia. The first of them signed originally in 1922 and revised in 1924, accords to France besides the most-favoured-nation treatment also several individual concessions which in the main concern the reduction of various customs duties on particular French products. The same refers to the new treaty with Czechoslovakia signed in 1925 (not yet ratified). As neighbouring countries, Poland and Czechoslovakia maintain close economic relations which accounts for detailed stipulations of the treaty.

As regards Russia, economic and commercial relations with that neighbouring country are natural

sification schedules. In the middle of 1924, following the currency reform and stabilisation in the most important branches of national husbandry, the tariff was revised. The amendments made related mainly to the conversion of the rates expressed in Polish marks into złoty, some shifts of articles from one commodity group to another, while certain rates were slightly modified. This, in short, is the history of the Polish customs tariff now in force. It has only a provisional character, a new and considerably altered tariff being in course of preparation. Not based on any of the tariffs of the alien rulers, this will be a novel and original work adapted to the economic exigencies of all the three partitions forming Poland of to-day.

The new tariff can only be made operative after some time will have elapsed because the completion of a task of such a magnitude and adjustment of the new tariff to the modified economic conditions in Poland will require a great deal of work.



VIEW OF AN INDUSTRIAL CENTER

for Poland, so a certain tendency to legalise them by means of a regular commercial treaty, is fully justified. In fact negotiations had been opened on several occasions and it is to be expected that in a not too far future they may result in a formal agreement.

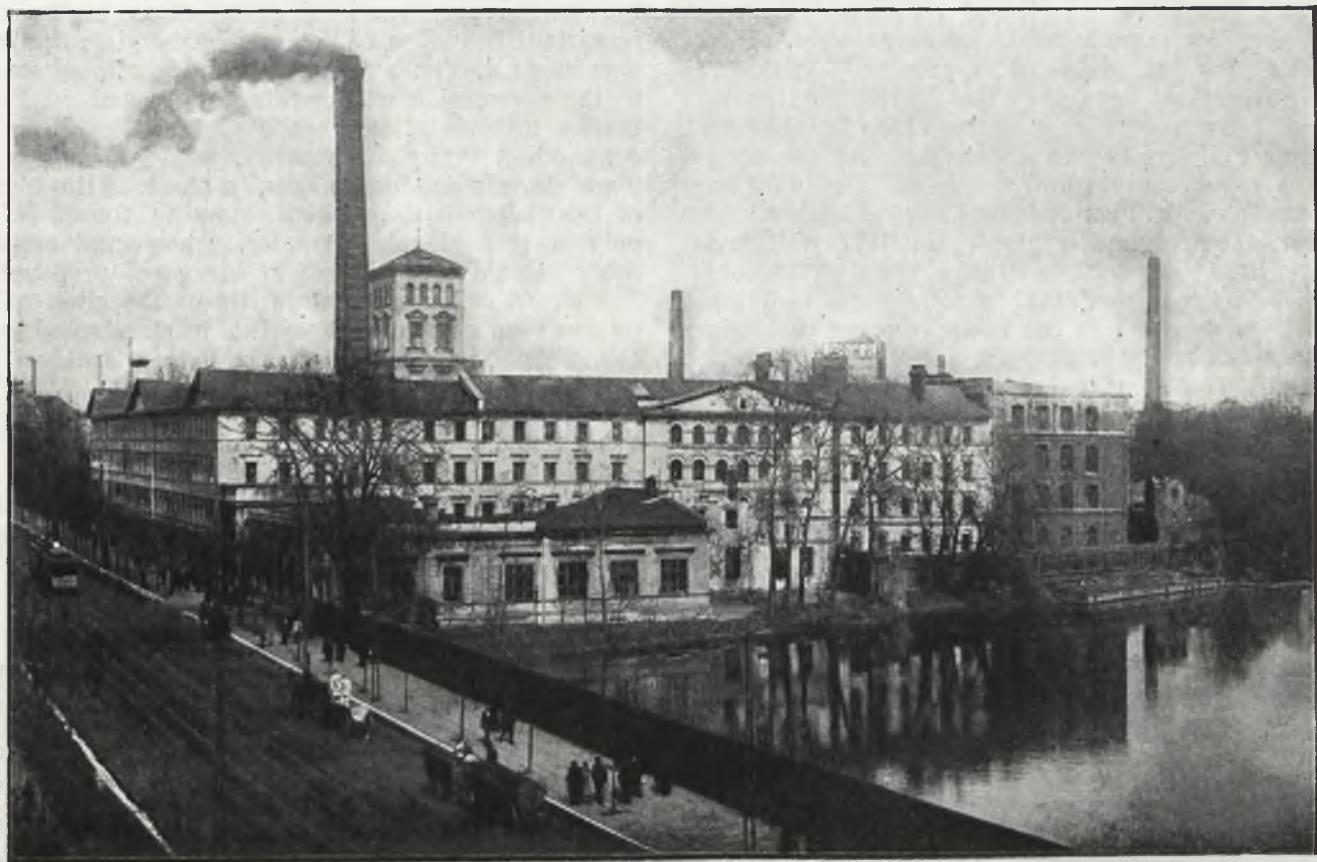
Besides the agreements already signed there are in course at the present moment more or less advanced negotiations with several countries, such as the United States of America, Norway, Spain, Latvia and Estonia.

POLISH CUSTOMS TARIFF

THE POLISH customs tariff was introduced towards the end of 1918, i. e., shortly after the restoration of Poland, and is framed on the late Russian clas-

The import tariff now in use is simple and comprises 217 rates in all. It is autonomous; the rates contained therein, determined in złoty, are subject to rebates, the percentages of which are stipulated in the commercial treaties and conventions arrived at with foreign countries. Up to the present, Poland has granted reductions to France and Czechoslovakia, though the commercial treaty with the last named country has, as yet, not come into force. Some special rebates have also been made in favour of Hungary and Greece. It should be pointed out that other countries which have commercial arrangements with Poland also benefit from these tariff reductions under the most-favoured-nation treatment clause.

On the whole the Polish customs tariff must be regarded as liberal, because in most cases the rates applied do not exceed 10 to 15% *ad valorem*, a large number of commodities being allowed to enter the country duty-free.



THE OLDEST WEAVING MILL IN ŁÓDŹ ESTABLISHED IN 1829

The scope of the export tariff comprising only 35 rates is very limited, especially when one bears in mind that a number of export duties have been repealed. Duties on certain classes of hides, timber, crude petroleum oil and on a few other raw materials are still maintained. These being very low offer no hindrance to trade.

In principle, goods traffic with foreign countries is free. Upon the conclusion of the great war Poland embarked upon the policy of trade regulation and restrictions, but these measures, proving to be ineffective, were abandoned long ago. Nevertheless in the middle of 1925, at the beginning of the customs war between Poland and Germany, accompanied by an embargo on Polish goods and other repressions, Poland was compelled to adopt similar methods: the importation of a number of articles from Germany was prohibited and general control of goods entering the country became an urgent necessity. This led to the issue of new temporary regulations. At the same time the trade balance disclosed adverse figures, and in order to bring about a betterment the Government decided to restrict the importation of certain foreign luxury goods not necessarily of German origin. To this category belong: oysters, various wines, scents etc. The result is that nowadays special permits for the importation of certain

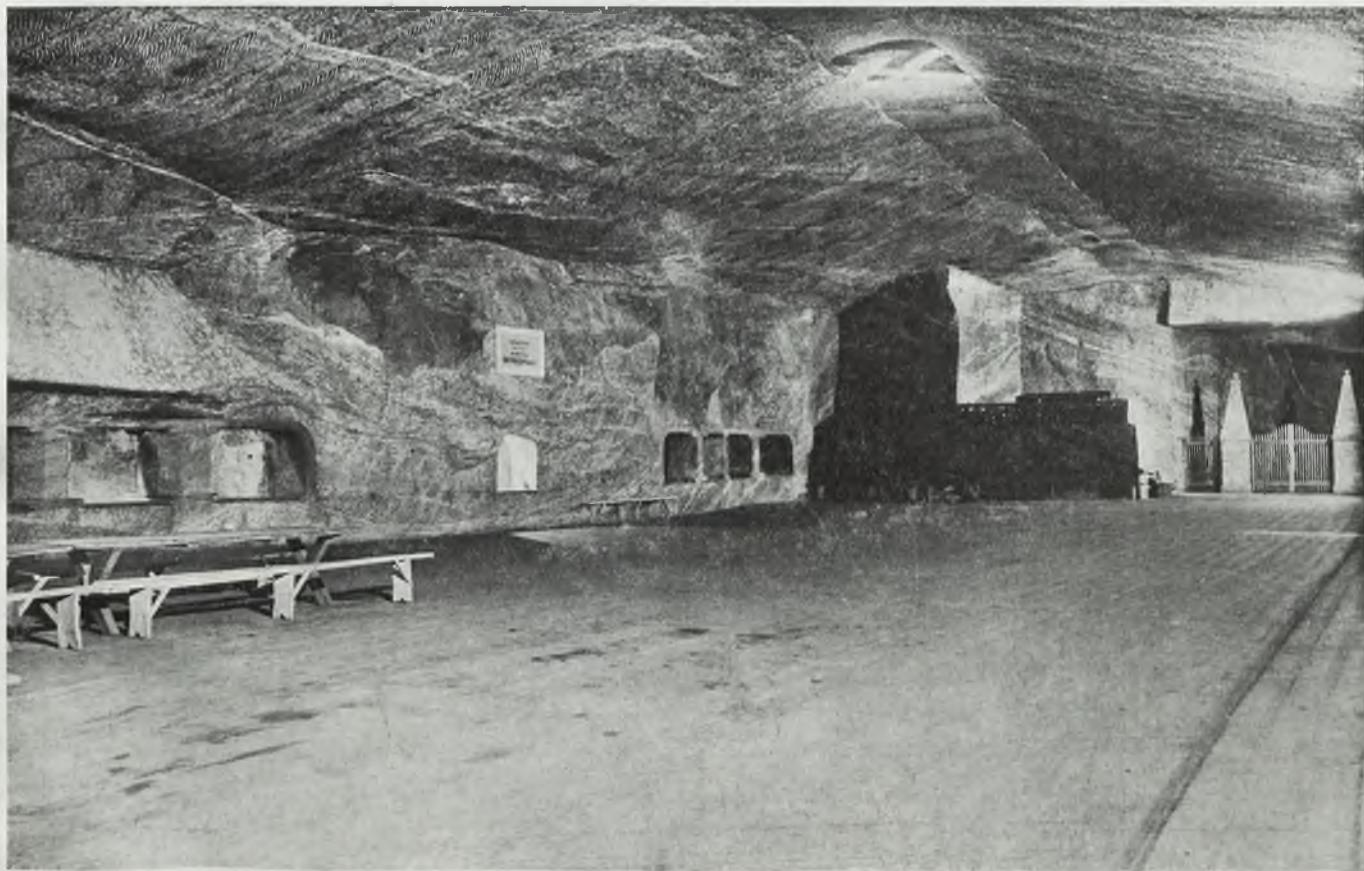
foreign products into the country are required *). These are issued by the Ministry of Industry and Commerce in Warsaw, provided the quotas of goods allowed to be imported during a specified period are not exceeded. The quotas referred to may be the subject of special agreements between Poland and the countries producing the respective class of merchandise.

As regards exports, there are no prohibitions with the only exception for crude oil.

GERMAN-POLISH TRADE RELATIONS

IN JUNE 1926 a year elapsed since the outbreak of the German - Polish customs war. Germany put an embargo on Polish coal, of which in the year 1922, i. e. after the incorporation of Upper Silesia in Poland, she imported between 700,000 and 1 million tons per month. Even during the early part of 1925, shortly before the outbreak of the customs war, the monthly imports of Polish coal into Germany amounted to $1\frac{1}{2}$ million tons.

*) See "Official Journal of Laws of the Republic of Poland" („Dz. Ust. R. P.”) No. 81/1924, item 783; No. 61/1925, item 430; No. 69/1925, item 486; No. 102/1925, item 719.



A WORKING IN A SALT MINE

It is impossible to bring forth within the limits of an article all the arguments, both legal and economic, brought forward by the representatives of the two countries. We must therefore confine ourselves to a mere statement of facts that while putting an embargo on Polish coal, Germany had accorded to the United Kingdom a quota which could not be exhausted in practice. It is equally worthy of note that Polish coal has natural markets in the East of Germany, where on account of the cost of transport, neither English nor Westphalian coal can be sold under sound economic conditions. Bearing this in mind we would emphasise that during the first day of the negotiations for the commercial treaty Germany claimed that it should be based on the most - favored - nation treatment. In view of the large share of Polish foreign trade held by Germany, this clause from a practical point of view would mean a monopoly, as already stated. It should also be remembered that the German share in the Polish foreign trade even at the time when there was no treaty amounted to:

	<i>Exports from Poland</i>	<i>Imports into Poland</i>
1922	37.0%	49.5%
1923	43.6%	50.6%
1924	34.6%	43.2%
1925 (1st semester)	34.0%	50.0%

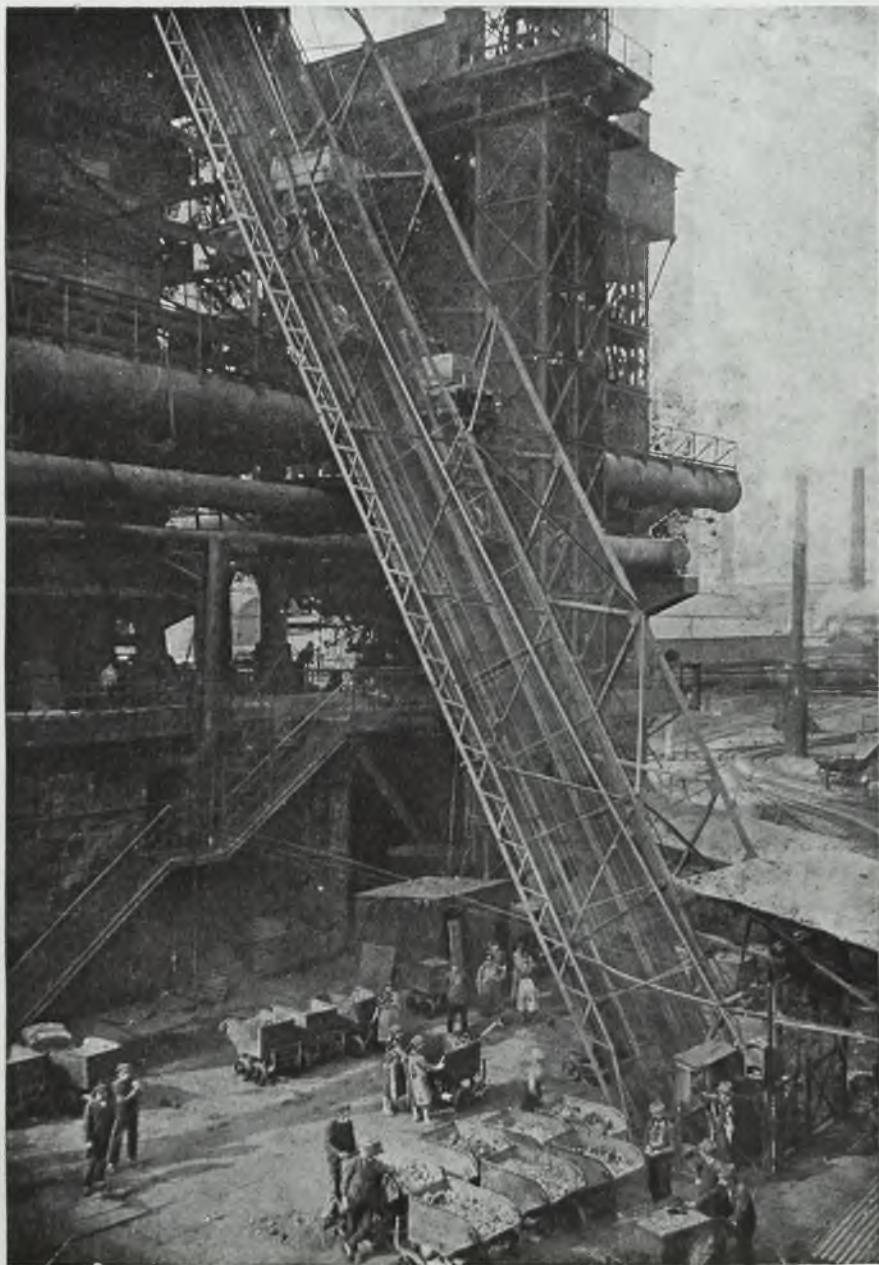
The Polish Government was perfectly aware that if most - favoured - nation treatment was conceded to Germany, the dependence of the Polish trade on Germany would be still more intensified; this had to be avoided in view of the political grievances against this country. In spite of this, already on the 5th day of the negotiations, the Polish Government gave way, according this clause, in order to give proof of its intention to settle the economic conflict in a peaceful manner.

Most favoured - nation-treatment is always and almost everywhere granted on a basis of reciprocity, and therefore it was impossible to foresee that Germany would not apply this principle in regard to the importation of Polish coal. Even after the clause had been granted, Germany refrained from removing the embargo on Polish coal. In this connection the opinion expressed by Dr. Hans Posse, a high officer in the German Ministry of Foreign Affairs, and at present the head of the German Delegation appointed to conduct commercial negotiations with France, may be of interest. This eminent expert in foreign trade made the following statement, in connection with the momentary economic conflict with Switzerland brought about by the application of different measures, in the matter of imports from Germany and other States:

„In any case we must earnestly require that prohibitions on our imports should not be applied

more rigorously than is the case in the attitude of Switzerland towards us (Germany) at a time when ot her frontiers stand open. It is certainly a case of violation (Verletzung) of the most-favoured-nation treatment which cannot be justified even by a pretext of safeguard against "dumping" imports.

racter. The issue of the prohibitions by Poland was certainly not intended to bring about the customs war. The object sought was the re-establishment of equilibrium in German-Polish foreign trade, compromised by the onesided German embargo on Polish coal. In the course of the first half of 1925, i. e., at the time when exports



FRAGMENT OF AN UPPER SILESIAN FOUNDRY

In the above paragraph borrowed from Mr. Posse is to be found an accurate description of the German attitude towards Poland. We refrain from advancing further arguments as to who is responsible for the Polish-German customs war. The first prohibition of import which Poland was compelled to introduce, was a response to the embargo on Polish coal, and had by no means a hostile cha-

of Polish coal, iron and zinc to Germany were allowed free of duty, the foreign trade balance disclosed 28,000,000 gold francs against Poland; if the imports into Germany of the above mentioned articles were prohibited and most-favoured-nation treatment conceded, then the adverse balance against Poland would become several times as large. Of course Poland felt compelled to prevent such a pos-

sibility, and for this reason put an embargo on a small number of German commodities. The Polish Delegation gave also to understand that it is prepared to continue negotiations for a commercial treaty but this was of no avail, the German response was to issue new prohibitions and to place exorbitant duties on the most important Polish export commodities (timber, eggs, potatoes, grain, meat etc.), provoking thereby a customs war.

About a year has elapsed since the beginning of the conflict, and it is possible to give now an outline of its progress, and to sum up the results. Both before and after the outbreak of the customs war, the Polish Government neglected nothing, while manifesting its readiness to bring the conflict to an end.

To corroborate this statement, it will suffice to say that Poland was prepared to agree to a limitation of coal imports to the extent of 350,000 tons instead of 500,000, which quantity was previously allowed. Another proof of her conciliatory policy is shown by the well known declaration concerning the removal of German optants, notwithstanding the fact that Germany agreed thereto by signing the Vienna Treaty. Poland also agreed to negotiate with a view to granting reductions of customs duties.

Making these considerable concessions, the Polish Government had the idea of shortening the conflict with her neighbour. The special conditions in Poland are responsible for the fact, that the difficulties in commercial relations with Germany proved of advantage to this country, in that they taught a lesson to the Polish merchant and to the public at large. In order to comprehend this apparent paradox, one must remember that Germany played an important part in the economic life of Poland. One of the main efforts of the Polish Government was to lessen this preponderance in favour of other States. The economic conflict with Germany greatly facilitated this task. The German share in the Polish foreign trade fell from 50% to 20—25% at the most. The German place both as regards imports and exports, was taken by the United Kingdom, the Scandinavian States, Czechoslovakia, while at the same time the Polish foreign trade balance improved considerably. Previous to the customs war, in the period from August 1924 to July 31st 1925, i. e., during the time, when Germany had a marked advantage over Poland as regards foreign trade, the balance of this trade in relation to the aggregate value of exports and imports revealed an almost catastrophic situation especially in view of the agricultural character of Poland, showing an excess of about £ 654 million in favour of Germany. After the outbreak of the customs war, counting from August 1st 1925 until June 1st 1926, the balance of foreign trade showed over £ 500 million in favour of Poland.

To sum up, we would state once more that the customs war with Germany caused no harm to Poland, whereas Germany lost the Polish market, which took 3rd place among her consumers of high class goods in Europe.

It is safe to assume that the stubbornness in the conduct of the customs war displayed by Germany is delaying the pacification of Europe. This stubbornness renders the realisation of the Dawes scheme extremely difficult. The main object is to support the German export trade, and though indirectly this plan points to Eastern Europe as the most important area for the German economic expansion, the Western European and overseas markets are being reserved for the states which fought against Germany, and to England in the first place. Not long ago, in the year 1924 and the early part of 1925, Poland played an important role in German foreign trade by absorbing more than half of the German exports intended for the East. German exports to Poland were 3 times as large as those to Russia.

On the 20th May 1925 negotiations for the treaty were resumed in the course of which Germany endeavoured to obtain about 600 reductions, which together with the rebates accorded previously to France (about 270 reductions) and Czechoslovakia (about 250) comprised nearly a half of all the rates of the Polish customs tariff. The rebates claimed by Germany are excessive, representing 90% and more. An agreement to their claims would mean turning the Polish customs system upside down. But, in spite of this, animated with the desire to close the conflict, Poland is willing to grant far-reaching concessions. These however cannot be onesided and unlimited. It will depend upon Germany, as to whether, putting political reasons aside, it will be inclined to base its commercial relations with Poland on an economic foundation. Germany had a chance to secure one of its most important export markets and a source of supply of food-stuffs and raw materials for the German industrial centres.

STOCK BREEDING IN POLAND

THE BREEDING of domestic animals in Poland is closely linked up with small peasant farms. It is the result of pre-war competition on the part of the countries, in which the different partitions of Poland were then included.

In Austrian Poland the competition of Hungary, a country of lower cost of production, was very severe. A similar situation existed in former Russian Poland, the cost of production in the Ukraine having been also lower. The two countries, Hungary and Ukraine, furnished large quantities of cattle and swine fattened on maize, consequently, the raising of live-stock in Poland ceased to be interesting, and gradually diminished in those farms where the cost of production was higher. This was invariably the case with large landed estates, whereas small peasant farmers feeding their cattle mainly with farm waste were in a position to produce at a very low cost. In that manner breeding was concentrated in the hands of small rural proprietors who already



GENERAL VIEW OF THE LWÓW EASTERN FAIR

previous to the war possessed 85% of the total live-stock within the limits of the present Poland.

The Great War not only consolidated this state of affairs, but also intensified the growing tendency in that direction. The result is that live-stock in Poland is cheap, but the animals furnished are not sufficiently uniform in type. The purchasing of the products is very complicated, because the material is scattered amongst a large number of small farms throughout the country.

These characteristic features have, of course, a bad influence on the export of live-stock. This is specially true in the case of horned cattle, pigs, by-products and derivatives. The prices for living horned cattle per 100 kg. were as follows (in shillings):

	1.5 1926	1.6 1926
Warsaw	34/- to 38/-	30/- to 48/-
Vienna	40/- " 110/-	28/- " 92/-
London	87/- " 100/-	74/- " 114/-

There is a permanent difference in the level of prices, substantially exceeding commercial expenses and transport; this difference is by no means the result of the present devaluation of the złoty. Iden-

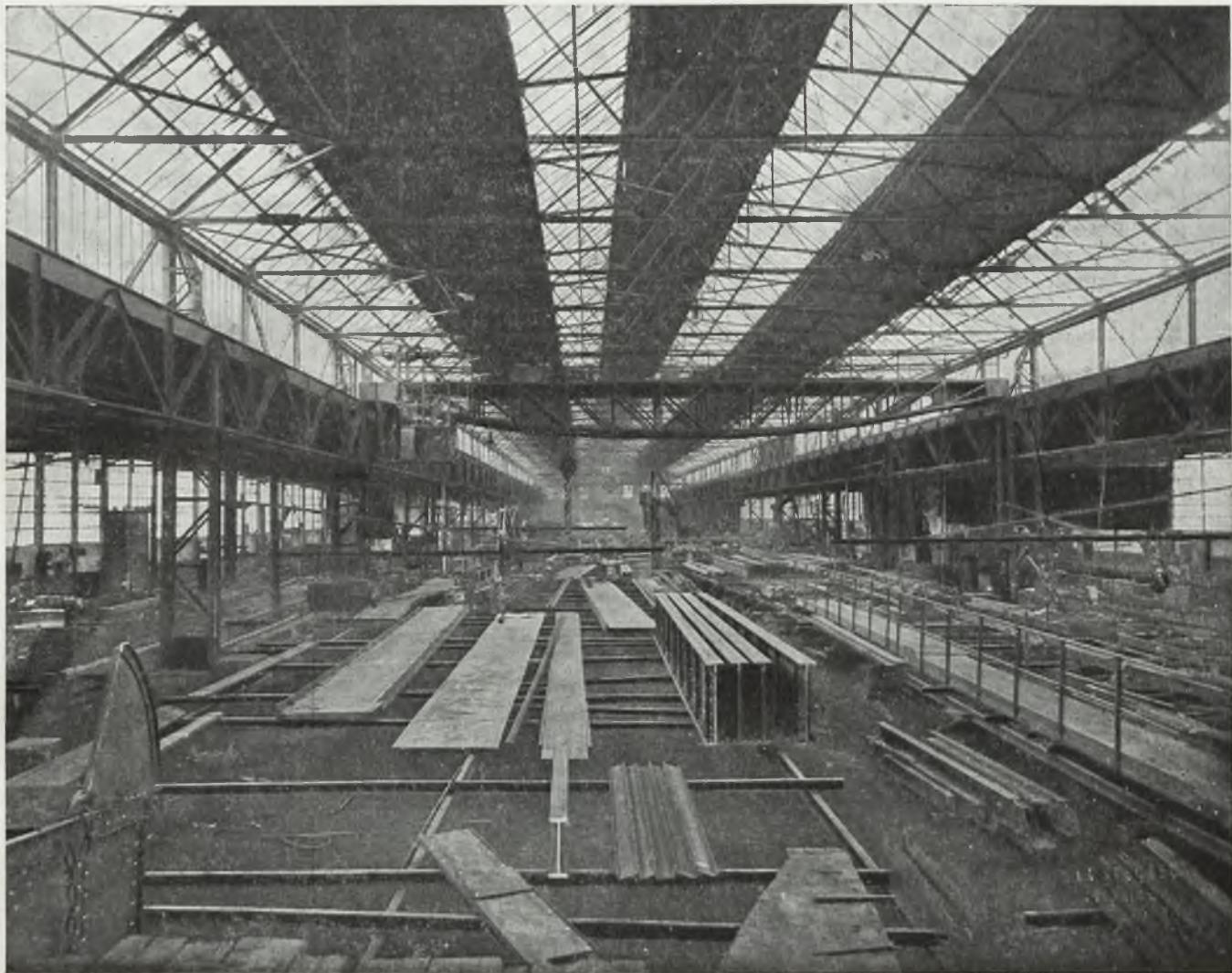
tical differences were evident in the year 1925 when the złoty was at par (in shillings):

	1.5 1925	1.6 1925
Warsaw	76/-	72/- to 76/-
Vienna	86/- to 158/-	—
London	190/- " 211/-	190/- to 211/-

The above figures show that the level of prices of live-stock in Poland is always low, the cost of production by the small peasant farms being very limited. The centralisation of products on small farms is responsible for the fact that the value of the material raised depends to a large extent on the level of agricultural civilisation, as well as on the general natural conditions and the economic situation in the different regions of the country.

West of the Vistula the breeding production is of pretty high standard. The horned cattle is larger and resembles those employed for fattening, weighing on the average about 500 kg.; they are better fed and raised mainly on the waste of sugar factories and the alimentary industries.

The second centre of production for meat grazing cattle is in the regions situated South-West



BRIDGE BUILDING DEPARTMENT OF AN ENGINEERING WORKS

of Lwów on the river Dniestr. These pastures being very fertile, the process of fattening is very quick, while the types offered are very good indeed. An equally valuable variety is being bred in the Southern part of Poland, in the Carpathians. On the contrary, East of the Vistula and especially East of the river Bug, despite the abundance of horned cattle, there is a lack of suitable material likely to meet the requirements of the Western European markets. In the neighbourhood of towns, as well as in the South-Western districts, the milking type of cattle is predominant.

Pig breeding is concentrated in the Western and Southern regions. The following varieties are being mostly raised in the Western districts: German, high class home, Westphalian, and cross breeding products with the Yorkshire, Berkshire, Cornwall and Tamworth races.

In the South is being bred a special improved type, the product of crossing with the Yorkshire variety. The two centres mentioned produce a type of pig with very little lard, and suitable above all for the production of bacon and pork-butcher's wares. The lard variety is raised on a very small scale.

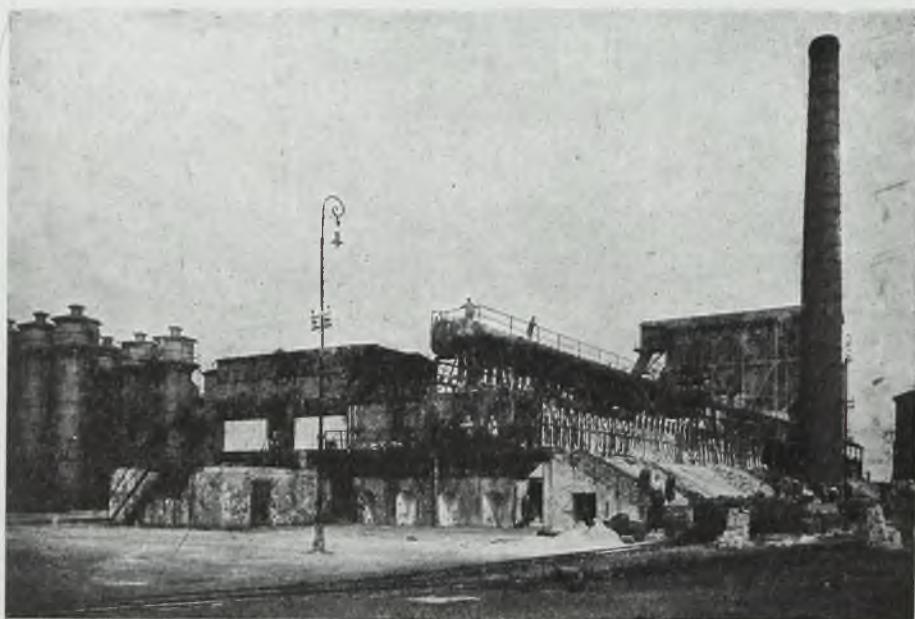
Such variety of types necessitates great caution on the part of the buyer. Anyhow, there are large districts furnishing uniform variety of cattle of the highest grade. It should be mentioned that since the war progress is being made in the leveling up of types in the different regions. This is attained by means of crossing with high grade varieties. Lack of uniform material on large areas, as well as the scattering of the production on a large number of small farms renders the realisation of rational purchasing methods very difficult.

The same remarks apply to the meat industry. Previous to the war there were in Poland two great export slaughter houses which made a specialty of bacon production. One of them was completely destroyed by the war, whereas the second, named "Unicar", after restoration and fusion with two other large meat concerns, resumed the export of pork-butcher's wares and bacon in the year 1925. It should be noted that the meat industry is being organised by Danes who, as is well known, brought this branch of production to a flourishing state in their own country. In these initial stages of development, the export of pork-butcher's wares and

bacon is estimated to be 20 to 40 tons per month. The export goods are strictly adapted to the customs and requirements of the Western European markets. In the course of the first few years after the war, the export of fresh, salted, and frozen meat was mainly directed to Germany, as a continuation of export which was carried on previous to the war.

After the outbreak of the customs war between Germany and Poland in June 1925, the exports of meat diminished considerably, but already in the early part of 1926 new markets for this class of goods have been found, mainly in Austria and Czechoslovakia, and the value of these exports increased again.

One of the Polish export articles is poultry, both dead and living. The most important export article of this class is geese, the centre of production of which is the North-Eastern area of Poland. The geese exported from Poland are as a rule not fattened. They are sent as raw material to the fattening depots in Czechoslovakia and Germany, and Holland. It is only since the year 1921 that a number of fattening depots have been created in Poland, and since that time the export of poultry, mainly geese, chickens and turkeys, has been steadily on the increase. In 1925 1,138,488 geese and 121,541 other birds left the country.



COKE, BENZOL AND AMMONIA PLANTS

The export of meat in 1923 amounted to 135 tons, in 1924—7,804 tons, while in 1925—34,793 tons, of which in the first quarter—18,668 tons, in the second—9,537 tons, in the third—1,825 tons, and in the fourth—4,763 tons. During the first quarter of 1926 the export of meat amounted to 8,285 tons, of which: in January—3,363 tons, in February—2,178 tons, and in March—2,744 tons. During the last two months, i. e., April and May, the export of meat reached 4,282 and 4,295 tons respectively.

The difficulties referred to, and above all lack of capital for the building of slaughter houses for export requirements, are responsible for the fact that the breeding products are exported in large quantities as live-stock.

Despite numerous difficulties on the part of the Governments of the importing countries in the form of veterinary regulations, the export of horned cattle and pigs grew steadily up to the spring of 1926, when a portion of this material began to be exported in the form of meat. In the year 1925 the exportation of horned cattle reached 116,149 head, and pigs—870,691 head.

The total value of exports of breeding products, comprising horned cattle, sheep, pigs, meat, bacons, pork-butcher's wares and poultry in 1925 amounted to £ 5,584,566, i. e., on the average £ 465,380 per month.

The problem of organisation of the meat industry and the export of live-stock from Poland is considered as one of the most important factors in the development of agriculture. This is illustrated by the fact that the Parliament passed recently an act whereby the Government is authorised to devote £ 3,000,000 to the organisation of this branch. So far these credits have been used in cooperation with the State Agricultural Bank for the financing of cooperative slaughter houses. One of them is being built in Dembica, situated in a region, where already previous to the war a uniform breed of pigs was raised. It was this centre that produced before the war and is still providing material for export to Czechoslovakia and Austria, where it is used as raw material for the production of pork-butcher's wares, especially hams. The yearly production of horned cattle and pigs in Poland may be safely put at

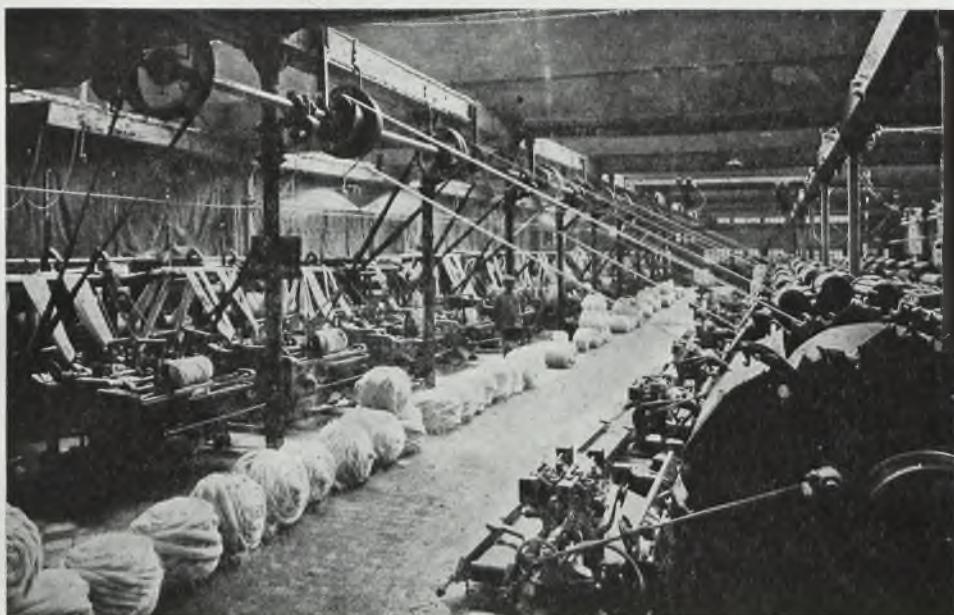
800,000 tons. The prospects of this industry are illustrated by the following statement:

	horned cattle:		pigs:	
	per 1 sq. kilm.	per 1,000 inhabitants	per 1 sq. kilm.	per 1,000 inhabitants
in Poland . .	21·4	294·0	14·0	190·2
in Denmark . .	60·2	767·2	33·2	428·4

Poland is one of the largest pig producing countries in Europe (it ranks second in this respect) and also a large producer of cattle (third place in Europe, Russia not included).

carbide and nitrates. Later on, the German Government leased the works, until 1941, to a concern called the "Bayerische Stickstoffwerke" which undertook to bring in its patents and licences in return for a bonus of 1½ pfenning per 1 kg. of nitrates produced.

The works were run at a very heavy loss and in the year 1919 the German Government sold them to a newly formed Company named the "Oberschlesische Stickstoffwerke". This transaction was duly completed on December 24th 1919, i. e., a fortnight before the Versailles Treaty came into operation.



INTERIOR OF A COTTON MILL

This source of supply may largely influence the prices of meat in Western European industrial centres, and in this way reduce the cost of living in the countries concerned.

This transfer of property was contrary to the declaration made by Germany (Art. 88 of the Versailles Treaty) which reads as follows: "Germany hereby renounces in favour of Poland all rights and titles over that portion of Upper Silesia lying beyond the frontier line fixed by the principal Allied and Associated Powers as the result of the Plebiscite".

Poland refused to recognise the transfer of the works on two grounds: firstly, from the international point of view, because the German Government had no right to dispose of its property during the Armistice period. According to the Armistice terms and the Spa Protocol of December 1st 1918, all State-owned property was transferred to the Allies as a guarantee for the payment of war reparations due to them; secondly, because the Polish Government considered the whole transaction as being illegal. This latter view was quite justified as, according to the provisions of both the Polish and the German Civil Codes, transactions effected under such circumstances are null and void. In order to make the Polish standpoint quite clear, it is sufficient to say that according to the act of transfer of 1919 the

THE CHORZÓW TRIAL

IN JULY 1922 the chemical works in Chorzów were taken over by the Polish Government. This was due to the fact that they were owned by the German Government and located on the territory allotted to Poland. As is well known, Article 256 of the Versailles Peace Treaty empowers the Polish Government to take over all properties, owned by the German Government which are situated within the Polish frontiers, against payment, the amount of which is to be fixed by the Reparation Commission in Paris.

The history of these works can be summarised as follows: they were erected by the German Government in 1915 with the object of manufacturing

Chorzów factory was sold for some 110 million Reichs Marks, while the entire share capital of the "Oberschlesische Stickstoffwerke" amounted only to a quarter of a million Reichs Marks. The balance of the sale price was to be covered by the profit of the Company. From the very beginning the factory was run at a great loss which continued to increase after the transfer. It is worthy of note that all the shares of the Company in question were deposited with the German Government as

Works claimed before the mixed German-Polish Tribunal in Paris the restitution of their rights to the works by the Polish Government, on the ground that it was liquidated in the sense of the Polish laws of 1920 (the Geneva Convention relative to a part of Upper Silesia, which on the strength of the plebiscite and by the decision of the League of Nations passed to Poland, stipulating the possibility of liquidation of German industrial enterprises only after the close of the year 1937). Without



STATE CHEMICAL WORKS AT CHORZÓW

a guarantee for the ultimate payment of the purchase price. The shares could not be negotiated without consent of the custodians. The act of transfer contained in addition other clauses indicating that the transfer was a fictitious one, and that it was effected with a view to avoid taking over the works by the Polish Government. Obviously, those in responsible positions at the time, had little, if any, doubt as to the result of the plebiscite in that district. Poland was authorised to take over the works on the strength of the provisions contained in Article 256 of the Versailles Peace Treaty, as well as the Polish law of July 14th 1920 (made operative in Upper Silesia on June 16th 1922). The Polish law stipulates that all transfers of property of the German Empire and of the States composing it, as well as that belonging to members of the German Royal Families, effected by the owners after the date of the Armistice (November 11th 1918) are simply null and void. Further the Polish Courts are empowered to cause the names of former owners (the German Empire, the States composing it, Royal Families etc.) to be struck off the land registers and to be substituted by that of the Polish Treasury. In the year 1923 the former owners of the Chorzów

waiting for the trial, the German Government instituted a second process for the Chorzów Works in 1925, this time before the Permanent Court of International Justice at the Hague.

The claims of the German Government were as follows:

1^o that the application of the Polish law of 1920 (introduced in Upper Silesia in 1922) constituted actually an order of liquidation;

2^o that the procedure relating to both the "Oberschlesische" and the "Bayerische" Companies was improper;

3^o that the procedure of the Polish Government in this respect should be determined by that Court.

In order to understand the first demand, it must be remembered that in case of liquidation of German property in Poland, those affected by the liquidation enjoy the privilege of appeal to the Mixed Polish-German Tribunal in Paris, which may find that compensation should be paid, and in view of the elasticity in the interpretation of the Versailles Peace Treaty the Court could even order the restitution of property improperly liquidated (of course, according to the German thesis, refuted by Poland). What

the claimants were mainly anxious to obtain, was a ruling from the Hague Court that in every case where Poland had applied the said law of 1920, they were responsible for having effected liquidation without payment of a compensation to the owner as provided for by the Versailles Peace Treaty. Poland has always maintained that a liquidation in the sense of the treaties is completed by the issue of orders depriving the owner of his title, which is caused solely by the fact that the owner is a German citizen, and that there is no liquidation in a case where the respective orders issued could be equally applied to a non-German citizen. The law of 1920 contains no principle of liquidation, for it could be, and actually was, applied not only to German but also to Polish citizens.

According to the remarks of Lord Finlay representing Great Britain (annexed to the findings of the Court) it should be recognised, looking at the case from the point of view of civil law, that Poland could avail itself of the advantages contained in the Armistice Agreement, for the simple reason that the Allied Powers concluded the Armistice also in the name of Poland. The Court considered it superfluous to go into the defence of the Polish Attorneys, nevertheless it touched upon this question in its findings. In the opinion of the Court Poland could maintain that the act of sale of the Chorzów Works was not valid, if it could be proved by a verdict of a competent Court of Justice that the entry of the firm "Oberschlesische" into the land register of Chorzów was not valid.



A ZINC FOUNDRY NEAR KRAKÓW

The findings of the Permanent Court at the Hague dated May 26th 1926 gave no satisfaction to the claimants, as the Court did not recognise that the application of the law of 1920 constituted an order of "liquidation" according to the Treaty. On the other hand, while applying this law to the above named firm, Poland, maybe, did not act in accordance with the Geneva convention, which prescribed the respecting of acquired rights, and that in the case of their being cancelled or restricted, monetary compensation might be ordered by a special Court, namely the Arbitral Court of Upper Silesia in Poland.

As to the request that the Tribunal indicate what procedure Poland ought to have adopted with regard to the "Oberschlesische" (the would-be owners) and the "Bayerische" (superintendents of the works), the Court declined to state its views.

The Court based its findings on the prescriptions of international law and was of the opinion that not being recognised by Germany as a combatant Poland could not base itself on the restrictions whereby state-owned property could not be sold during the period of the Armistice.

What are the ultimate conclusions to be drawn from this interesting verdict? Above all, it must be emphasised that the verdict does not consider Poland's procedure towards Chorzów a "liquidation" and therefore the plaintiffs could not support this standpoint, the result of which might have been (according to the German thesis) the restitution of the improperly liquidated property. The only issue possible might have been the payment of a compensation. But even this compensation in the Hague verdict is made dependent upon the fact of the impossibility of obtaining the verdict of a competent court whereby the entry of the would-be buyers in the register would be ruled as void.

Poland took over the works in good faith as the property of the German State. Besides, in the interests of security and preservation of public order Poland had no alternative.

Under German control the working of the factory showed enormous losses, whereas now, thanks to the efficiency of the present administration, it is worked at a profit and provides the country with indispensable fertilizers.

SUMMARY OF LAWS, ACTS AND EXECUTIVE DECREES

published in the "Official Journal of Laws of the Republic of Poland" ("Dziennik Ustaw Rzeczypospolitej Polskiej") from May 15th to June 15th 1926

Conditions for the protection of the zinc industry* ("Dz. Ust. R. P." No. 49, item 292) issued April 30th 1926 by Act of Parliament.

Increase in the tariff of consular fees — by 100% ("Dz. Ust. R. P." No. 49, item 294) issued April 8th 1926 by the Minister of Foreign Affairs.

Prices of tobacco dust ("Dz. Ust. R. P." No. 49, item 295) issued April 30th 1926 by the Minister of Finance.

Issue of the 11th series of Treasury Notes ("Dz. Ust. R. P." No. 51,

item 303) issued May 19th 1926 by the Minister of Finance.

Partial amendments of executive decree relating to the organisation and control of Treasury offices ("Dz. Ust. R. P." No. 52, item 310) issued May 22nd 1926 by the Minister of Finance.

Rates at which the bonds of the State Agricultural Bank are received in part - payment of property tax ("Dz. Ust. R. P." No. 52, item 311) issued May 25th 1926 by the Minister of Finance.

Postponement of the date of export of effects remaining after the liquidation of former private factories ("Dz. Ust. R. P." No. 53, item 317) issued May 20th 1926 by the Minister of Finance.

Increase of Monopoly dues for tobacco products imported by private persons ("Dz. Ust. R. P." No. 55, item 325) issued May 20th 1926 by the Minister of Finance.

Increase in the rates of the railway goods tariff** ("Dz. Ust. R. P." No. 55, item 326) issued May 28th 1926 by the Minister of Railways.

PRODUCTION AND TRADE

STATE OF EMPLOYMENT IN INDUSTRY IN MAY 1926. — Since the end of January 1926 when the unemployment figure in Poland reached its peak — 359.119, the state of unemployment has been gradually improving. In May the number of unemployed decreased by 16.400 and on May 29th it was 304.113. Compared with the figures at the end of January, the total number of people out of employment diminished by 55.000, i. e., by 15.3%.

The situation since the end of 1925 is illustrated by the following figures:

January	359.119
February	358.000
March	346.431
April	320.512
May	304.113

In the building trade the number of unemployed decreased by 2.994, in the mining group — by 1.014, in the textile — by 1.023, and in the metal — by 998, whereas the number in the clerical worker's section shows an increase of 481 persons.

During May there was some improvement in the section of part time workers; namely the number of people working one day per week decreased by 1.277, 2 days — by 3.452, and 4 days — by 8.805. The number of those employed 3 and 5 days per week rose by 3.201 and 14.350 respectively.

GRAIN

— The volume of business in grain transacted for foreign account in the

course of the last 5 months is shown by the following figures (in tons):

	Wheat: Rye:			
	Import	Export	Import	Export
January	67	26.158	387	29.897
February	15	9.325	515	9.750
March	272	565	393	3.559
April	222	16	1	23.444
May	—	44	—	2.809

	Barley: Oats:			
	Import	Export	Import	Export
January	30	16.446	11	10.561
February	48	7.596	46	7.711
March	18	8.730	55	4.122
April	11	14.539	25	11.172
May	179	14.506	56	9.945

During the period from January to May 1926 exports of wheat represented 36.108 tons to the value of ₽ 13,845.000 (about \$ 1,834.000); rye — 69.459 tons to the value of ₽ 24,542.000 (about \$ 2,816.000); barley — 61.816 tons to the value of ₽ 17,812.000 (\$ 2,059.000); oats — 43.510 tons to the value of ₽ 12,059.000 (\$ 1,397.000). During that period no wheat was exported, while exports of other varieties of corn were quite insignificant: rye — 283 tons, oats — 40 tons, and barley — 13.578 tons. According to the latest reports for that period the imports of grain were the following: wheat — 25.000 tons, rye — over 29.000 tons, barley — 2.197 tons and oats — 52.131 tons.

As regards the direction of the exports during the period under review, 61% of wheat was sent to England, the balance going: to Belgium — (7.8%), to Germany — (7.3%), and to Italy, Czechoslovakia and other countries. The most important consumers of rye were: Denmark — with 31.7%, and Finland — with 28.9%, while Germany with 13.4% ranked

third and was followed by Sweden with 13.3% and by Latvia with 7.7% of the total exports of this commodity. Barley was exported in large quantities to Denmark — 21.4%, Holland — 12.1%, and Germany — 10.7%. The largest market for Polish oats was Germany, the amounts exported representing 29.6%; Holland received 17.4%, while Czechoslovakia, England and Belgium obtained each about 11% of the total quantity exported.

The above figures indicate that England, Denmark, Germany and Finland were the best clients for Polish grain in the course of these 5 months. The prices for grain on the main corn exchanges in Poland, as compared with prices ruling abroad during the period in question, are given in the following table, together with an indication as to the percentage of difference ruling on the 19th and on the 31st of May. Table — see page 19.

In May there was a sharp rise in the prices of rye and compared with quotations at the end of April, the increase calculated in dollars reached 7.2%. At the beginning of June the prices dropped on the home market, the fall in złoty representing on the average 7.36%, in Warsaw — 11.97%, whereas in dollars the difference was on the average 5.41%, on the Lwów exchange — 11.97%. This difference would have been more marked if the weather conditions had improved, but the heavy rains in May and in the early part of June were followed by inadequate supplies of grain, and thus stopped a further decline in prices. At present, prices on the home

*) See page 25.

**) See page 29.

market approach the parity of export prices and, all probability, they will follow them. The present situation is likely to remain for some time.

After the introduction of the export duty on corn in January 16th 1926, the price of wheat on the home market was \$ 5 per 1 q. In May, notwithstanding the fluctuations in the exchange of the złoty, quotations were somewhat higher (\$ 5·15 — \$ 5·14) but in June they dropped to \$ 4·96 and continued to fall slightly, reaching \$ 4·80 on June 15th. There is still a downward tendency. The decline in wheat prices, independently of the factors of international production and trade, was brought about by good prospects of this year's crops and also in the decreased demand for white bread. Prices for brewer's barley in May and June showed a downward tendency. This was caused by the period of malting coming to a close and owing to a slackening of the foreign

demand for this class of barley. It is reported, that owing to accumulation of barley stocks, this variety was used for the production of groats. The reverse was observed in the first half of June when the feeding variety of barley, calculated in dollars, showed an advance of 7·42% in relation to the average prices ruling in the latter half of May. On June 15th the feeding variety of barley was quoted at \$ 2·90 per 1 q. with an upward tendency. For this reason the difference in prices between the brewing and feeding variety which amounted to 40 U. S. cents on 1 q. has now been reduced to a minimum. The advance in quotation for the feeding class of barley was caused by an enormous demand on the part of foreign buyers, the increased quantities exported, and also owing to the issue of a permit by the competent military authorities, whereby it was allowed to be substituted for oats in the feeding of horses. This

measure was brought about owing to the too excessive prices and the scarcity of oats.

The prices in May and June were not only affected by the factors of demand and supply but also, to a large extent, they were influenced by the prospects relative to home grown corn. On the strength of agricultural reports, the Chief Statistical Bureau gives the following indices as to the agriculture prospects*) (at the end of May):

	1925	1926
Winter wheat	3·8	3·4
" rye	3·8	2·9
" barley	3·5	3·2
Spring wheat	3·2	3·2
" rye	3·0	2·9
" barley	3·1	3·2
Oats	3·2	3·3

*) Qualification grades (5 points system): 5—excellent, 4—good, 3—moderate, 2—not bad, 1—bad.

	May 1st — 15th		May 15th — 31st		June 1st — 15th		Percentage of difference	
	zł	\$	zł	\$	zł	\$	zł	\$
W H E A T:								
Warsaw	51·50	5·15	56·80	5·19	51·50	5·06	— 9·33	— 2·5
Poznań	52·75	5·18	55·33	5·10	51·25	5·04	— 7·37	— 1·18
Lwów *)	51·66	5·12	56·07	5·13	48·80	4·79	— 13·0	— 6·6
Average price	51·97	5·15	56·07	5·14	50·51	4·96	— 9·91%	— 3·5%
Chicago				5·89				
Berlin RMk			29·56	7·03			5·15	— 1·55%
R Y E:								
Warsaw	32·78	3·22	36·16	3·32	31·83	3·16	— 11·97	— 4·82
Poznań	32·42	3·18 $\frac{1}{2}$	35·66	3·27	31·91	3·18	— 10·51	— 2·75
Lwów	27·84	2·74	32·70	3—	27·95	2·74	+ 0·39	— 8·66
Average price	31·01	3·04	34·84	3·20	30·56	3·03	— 7·36%	— 5·41%
Chicago		3·41		3·31		3·57 $\frac{1}{2}$		+ 8·0%
Berlin RMk	17·66	4·20	17·79	4·24	17·88	4·25		+ 0·14%
B A R L E Y:								
a) Brewing:								
Warsaw	31·12	3·14	33·72	3·08	31·50	3·15	— 6·6	+ 2·27
Poznań	31·83	3·14	34·83	3·17	31·04	3·05	— 10·88	— 3·78
Average price	31·47	3·14	34·27	3·12	31·27	3·10	— 8·75%	— 0·64%
Berlin RMk			19·59 $\frac{1}{2}$	4·66	19·09 $\frac{1}{2}$	4·54		+ 2·57%
b) Feeding								
Warsaw	29·12	2·91	31·12	2·83	29·58	2·91	— 4·94	+ 2·82
Lwów	25·11	2·48	25·40	2·33	26·57	2·60	+ 4·61	+ 11·58
Average Price	27·11	2·69	28·26	2·56	28·07	2·75	— 0·67%	+ 7·42%
Chicago				3·15		4·20		+ 33·0%
Berlin RMk			17·73	4·22	17·64 $\frac{1}{2}$	4·20		— 0·5

*) When ascertaining the prices, red wheat containing more gluten and suitable for export was taken into consideration. The prices of white wheat on the same exchanges were zł 2 to 3 lower which are equivalent to 20 to 30 U.S. cents per quintal (q.).

On the whole during May the temperature was fairly uniform and mild. The average daily figure fluctuated between 11.5° and 13.5° C. and showed on the average 1 degree less, than that for the past 10 years. The number of warm sunny days during May was very small. There was enough moisture throughout Poland, some of the regions have been more affected than other; on the whole there were fewer rainy days in Galicia (former Austrian Poland) than in the rest of the country. Though the amount of moisture during the previous month was sufficient throughout the country, yet inadequate sunshine and lack of warmth were not without influence on the situation.

Winter corn prospects compared with the last few months show a slight improvement, but the general opinion is that the present state of cultivation is not so good as it was during the corresponding months of last year.



A VILLAGE AGRICULTURAL SCHOOL

E G G S

— The organisation of the egg export trade compared with that of other articles has reached a comparatively high standard. Already previous to the war the export of eggs was carried on by agricultural cooperatives, and succeeded in meeting the requirements of the Western European consumers. The exported material bore a stamp representing a bee. The cooperatives classified the accumulated stocks: bigger eggs were sent abroad and the smaller ones, representing over 75% of the total export, were sent to Germany, the remainder — to Austria and other countries. The lowest grade is consumed at home.

The small size of the eggs produced in Poland is accounted for by the fact that they are the product of a special small home breed fowl named "green-foot" which is raised by the rural population. This variety is known for giving excellent result as regards the number of eggs produced.

The cooperatives sort the eggs according to size, freshness and cleanliness. Besides the cooperative societies, trade is being carried on by a number of large firms, and if eggs of Polish origin are sometimes not much appreciated on the London market, the cause is to be attributed to the circumstance that large number of non qualified intermediaries undertake the deliveries of eggs. The material being unsorted leaves a large margin of profit to the dealer, as the

difference between the prices at home and those current abroad is frequently considerable. The price in Poland as compared with those ruling on the foreign markets were as follows (in U. S. \$ for 1.440):

	South- Eastern regions	Warsaw	
February . . .	26.80	25.68 — 28.58	
March	20.80	23.75 — 24.37	
April	16.55	17.51 — 20.90	
May	16.—	15.31 — 16.67	
June	16.—	18.— — 19.—	

Prices of eggs vary to a large extent according to season. The largest supply of eggs is available in March and reaches its peak in April. During the summer months the supply decreases owing to lack of refrigerators, only to rise again in August and September; later on, in November and December, the trade is at its maximum. Up to the year 1924 the export was regulated by the Government, both as regards quality and quantity.

The export firms were required to have special accommodation and appliances for the purposes of segregation and sorting. Since the introduction of free trade, as will be seen by the undermentioned figures, exports rose considerably (in tons):

1922	5.093
1923	8.849
1924	10.421
1925	27.071

During the first 5 months of this year, compared with the corresponding period of last year, the exports went up by over 133%. The quantities exported month by month were the following (in tons):

January	1.460
February	2.198
March	4.763
April	7.050
May	8.189

The total was 23.660 tons, value £ 53,759.000 (about \$ 6 1/2 million). As regards the destination, 68% of the total exports were sent to Germany, 17% to England, 6.3% to Austria and 5.7% to Czechoslovakia, the remainder — about 30% to other countries.

S P I R I T S

— The production of spirits, one of the main articles of the agricultural industry in Poland, is controlled by the State. The State Spirit Monopoly in Poland was introduced by an act dated July 31st 1924, and bears the character of a control Monopoly, i. e., the production, rectification and sale of alcohol is regulated. Prices are fixed according to requirements, and the use to which this commodity is destined.

The alcohol is produced by some 1.400 agricultural and industrial distilleries. The control of the state is confined to

the determination of the quantity allowed to be produced and sold to the Monopoly at a price fixed by the Minister of Finance about $\text{Z} 0.50$ per litre of unrefined alcohol. Surplus quantities may be sold abroad. In view of the severe competition on the international market, the export of alcohol has of late been very limited, with the result that the home production had to be largely decreased, and is now confined to quantities ordered by the Monopoly.

The rectification of alcohol is carried on in about 200 private rectifying distilleries, which operate on the basis of agreements with the Monopoly. The quality of alcohol produced is much higher than last year and exceeds the standard of that produced in Russia. As regards the sale of alcohol, in the 6 Western Provinces the Monopoly has exclusive rights and puts itself the spirit on the market. In the rest of Poland bottling of spirits is effected by private firms, who obtain their supplies from the Monopoly.

The basic cost of spirit, covering all expenses of the Monopoly, is $\text{Z} 1.1$ per litre, which is augmented by an excise duty of $\text{Z} 4.50$ and a municipal duty of $\text{Z} 1$ per litre, making the total cost $\text{Z} 6.60$. An additional charge is levied on pure brandies, and also 25% if the spirit is destined for the preparation of special brands. In the case of spirits utilised for the manufacture of scents, the price of alcohol is augmented by $\text{Z} 4$ per litre. The price for denatured spirits is $\text{Z} 0.55$ per litre, which charge does not cover the actual costs of production.

In May the Spirit Monopoly sold the following quantities of alcohol (in thousands of litres 100%):

	May 1925	May 1926	January 1925	January 1926
for drinking purposes	28.7	34.2	169.6	152.2
for industrial purposes	2.2	2.4	10.4	10.6
denatured spirit	7.3	5.7	29.5	16.5
	<hr/>	<hr/>	<hr/>	<hr/>
	38.1	42.2	209.5	179.3

It will be seen that the sales in May this year decreased by 41,000 litres as compared with May 1925; this is accounted for by a decrease in the purchase of spirit destined for the preparation of brandies.

Nevertheless during the 5 months of this year the sales rose by 30,000 litres as compared with the corresponding period of last year—an increase of 16.9%.

Sales of denatured spirit increased by 79.2%, and of that for the preparation of brandies—by 11.4%.

The demand for spirits in the industrial department fell by 1.6%.

T I M B E R

— On the Danzig market, the principal outlet of Polish timber for Western Europe, the prices during May were the following (for 1 m³):

pine logs 20—25 cm. (top end)	S 13
" 25—30 "	" 18
" over 30 "	" 25
planks from 30 cm. up free of knots	" 38
telegraph poles	" 17—18
pit props	" 11/5
pine sleepers	" 2/2
oak sleepers	S 6 2/3—6 1/4 each
sawn pine u. s.	£ 9—9 2/6 the standard
" IVth	" 7
" u. s. (25% IVth)	" 8/10

The results of the recent strikes in England are still felt on the market, though to a small degree, and while the strike was in progress, timber importers were compelled to refrain from transacting new business. To begin with, the



A TYPICAL POLISH FOREST

economic situation was uncertain, and secondly there were difficulties in the sale of timber in hand. In addition stocks in the English docks increased considerably as compared with last year. The return to normal conditions will require some time, though the Danzig market as the cheapest will probably be among the first to recover. In any case, in view of the difficulties

encountered in the export of timber to Germany, the English market and *ipso facto* the Danzig market are becoming more and more important. The saw mills situated in the Western area worked before exclusively for the German market, while now large quantities of unsorted material adapted to the market requirements are sent over to the United Kingdom.

On the home market prices for round timber experienced a small rise, i. e., the average price of round pine, free on rail in the Warsaw District rose from $\text{Z} 30.70$ to 31.50 , in Białowieża from $\text{Z} 17.50$ to 18.50 , in Toruń from $\text{Z} 30.50$ to 33.05 per 1 m³. Spruce logs in the Lwów District were sold on the average at $\text{Z} 22.15$ against $\text{Z} 18.65$ in the preceding month.

The increase in prices is due to the fall of the złoty, because the home demand for round timber is still very limited. Of course the prices in złoty on the home market are influenced by the prices for materials destined for export which are quoted in pounds sterling.

The amount of timber exported during May has undergone no change as compared with the last few months (in tons):

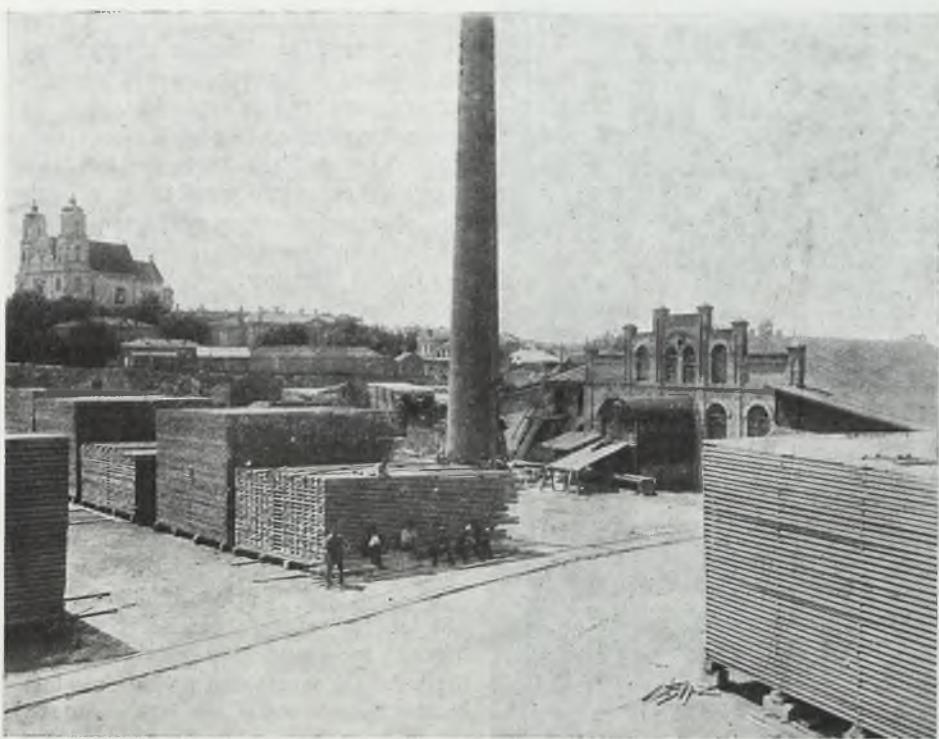
May 1926 April 1926 May 1925

fire wood	10,261	7,462	8,172
pulp wood	55,044	81,235	36,954
pit props	66,511	64,172	29,289
round logs	86,388	100,047	85,853
telegraph poles	7,962	5,407	4,448
planks, deals, battens	127,710	185,914	115,457
sleepers	29,742	34,120	28,410
oak staves	8,262	3,386	—

Compared with the previous year, the export of pulp wood and pit props increased considerably; the export of sawn timber has already reached the level of the last year previous to the outbreak of the German-Polish customs war.

The decline in the export of these materials, which owing to the loss of the German market, fell in the autumn and winter to 50%, has already been levelled up by sales in the Western Europe, especially in England.

Of the whole quantity of sawn timber exported in May 1926, England received 69,063 tons, equal to 54%, Germany 16,732 tons, equal to 13%. In the first half of 1925, i. e., previous to the customs war with Germany, the exports to England and Germany were 38% and 45% respectively. According to figures given by the English Statistical Bureau, the total imports of sawn softwoods during the first 4 months of the years 1924 to 1926 amounted to 635,585—734,814 and 579,103 loads, of which from Poland 81,173, 27,638, and 184,620 loads. It will be seen that while the importa-



A SAW MILL IN WILNO

tions of sawn wood into that country declined considerably, the quantity of Polish material increased.

This shows the adaptability of the Polish saw mills to the requirements of the English market, and also that Polish prices are competitive and in fact the lowest on the European market.

COAL

— The consumption of coal is not so large as it might be if more favourable conditions prevailed in the home industry. The consumption of coal as fuel in private houses is limited, especially in the Eastern regions, where fire wood can be had in sufficient quantity and at a cheaper price.

Under these conditions Polish coal is mainly an export article. But despite the high quality of the Polish coal, owing to the considerable distances from foreign markets and the lack of railway facilities, the situation is difficult.

The situation has grown worse since June 1925, when the German market was lost, and it must be remembered that Germany used to take between 700,000—1,000,000 tons of coal per month. Consequently new markets have had to be found; the efforts in this direction proved to be very successful. Exports to old consumers—Yugoslavia, Italy and Rumania have increased. At the same

time the Scandinavian countries proved excellent markets for the Polish coal. To cope with the increasing traffic extensions have had to be made to the ports of Danzig, Gdynia and Tczew. The port of Danzig which could previously deal with 60,000 tons per month, now has the facilities for the monthly handling of over 270,000 tons of coal alone. New arrangements made in Gdynia make it possible to handle over 30,000 tons of coal per month, while the port of Tczew can ship 10,000 tons of coal per month. Further extensions will be carried out in the autumn, so that the total monthly shipments of the two ports, Danzig and Gdynia, will amount to 450,000 tons and 100,000 tons respectively.

In this way, the quotas formerly exported to Germany are largely compensated by sales in other countries.

The total output of coal in May amounted to 2,229,938 tons, a gain of 47,574 tons = 2·15% over the previous month. The average daily output of coal in Polish mines is about 92,606 tons and compared with the previous month (87,295 tons) shows an increase of 5·311 tons = 6·08%.

The amount of coal extracted in May this year represents 65·31% of the quantity extracted during the corresponding month in 1913 (against 63·92% in the month of April 1926).

The total number of workmen employed in coal mines was in May 102,659 against 102,945 in April—a decline of 286.

The home market consumption in May was about the same as in April last (1,288,132 tons).

The following table illustrates the amount of coal exported in May to different countries (in tons):

Destination	Monthly average in 1925	1	9	2	6:
		March	April	May	
Austria	224,200	212,683	179,278	157,000	
Hungary	60,046	42,784	30,377	27,000	
Czechoslovakia	52,017	35,762	40,110	33,000	
Danzig	33,878	35,327	42,439	26,000	
Rumania	6,576	7,383	5,945	8,000	
Switzerland	4,024	8,748	7,734	11,000	
Yugoslavia	10,498	9,752	17,386	22,000	
Memel	1,639	8,665	2,015	—	
Italy	7,275	20,077	50,849	97,000	
Denmark	18,407	64,275	59,485	77,000	
Lithuania	1,362	2,428	4,132	1,000	
Sweden	28,667	123,850	180,420	141,000	
Latvia	8,243	15,209	32,375	17,000	
France	979	18,710	8,800	18,000	
Finland	655	1,635	5,775	16,000	
Bulgaria	42	—	—	—	
Holland	462	—	3,080	—	
Norway	47	—	1,625	14,000	
Estonia	71	—	—	—	
Other countries *)	—	—	—	26,000	
Total (Germany not included):	460,086	607,288	671,825	691,000	
Germany	225,753	1,614	1,275	—	
Total amount	685,839	608,902	673,100	691,000	

The exports effected in May amounted to 691,000 tons against 673,000 tons in April—a gain of 19,000 tons, equal to 0·83%.

Towards the rise of coal exports, contributed the sales effected to Italy 46,000 tons, to Denmark—18,000 tons, Norway—12,000 tons, Finland—10,000 tons. During May exports to some countries diminished, thus to Switzerland—by 39,000 tons, Austria—22,000 tons, Danzig—16,000 tons, Latvia—15,000 tons, and Czechoslovakia—7,000 tons. The average daily exports in May amounted to 30,043 tons against 26,840 tons in April, a gain of 3,203 tons = 11·93%.

The total amount of coal sent by sea in May, in view of the decreased number of working days, shows but a small increase: namely 9,000 tons = 3·01% over the preceding month. The quantity of coal sent via Danzig in May represented 267,000 tons against 269,000 in April. The average daily quantity sent through that port rose from 10,346 to 11,609 tons, a gain of 12·21%. The exports effected through Gdynia rose from 27,000 to 38,000 tons, a gain of 40·74%. There was also an increase in the shipments effected through Tczew, the excess representing 3,000 tons more than in the preceding month. 25,000 tons of Polish coal were sent through Stettin in Germany.

The prices of Polish coal—large and cobbles—at the pithead on the 15th of May for Upper Silesian assortment were £ 30·30 and for the "Dombrowa"

*) Bunker coal included.

coal — £ 28·50 which meant an increase of 8·2% as compared with the April prices.

Owing to English competition the prices of Polish coal f. o. b. Danzig fell from 14/- to 12·8 per ton for large lumps, but now owing to the strike in England the price has risen to 16/-.

INCREASE OF MINERS' WAGES.—

The Arbitral Committee (of employers and employees) in Polish Upper Silesia at the meeting held on June 10th accorded an increase of wages in the coal industry amounting to 9% and 10% in the Central and Southern Districts respectively. This increase is binding as from June 1st to July 31st this year, and may be suspended by a 14 days notice. Soon afterwards, this increase provoked a rise in the prices of coal. However, as a result of Government's intervention, the alteration in this respect will, it is hoped, not be too large.

P E T R O L E U M

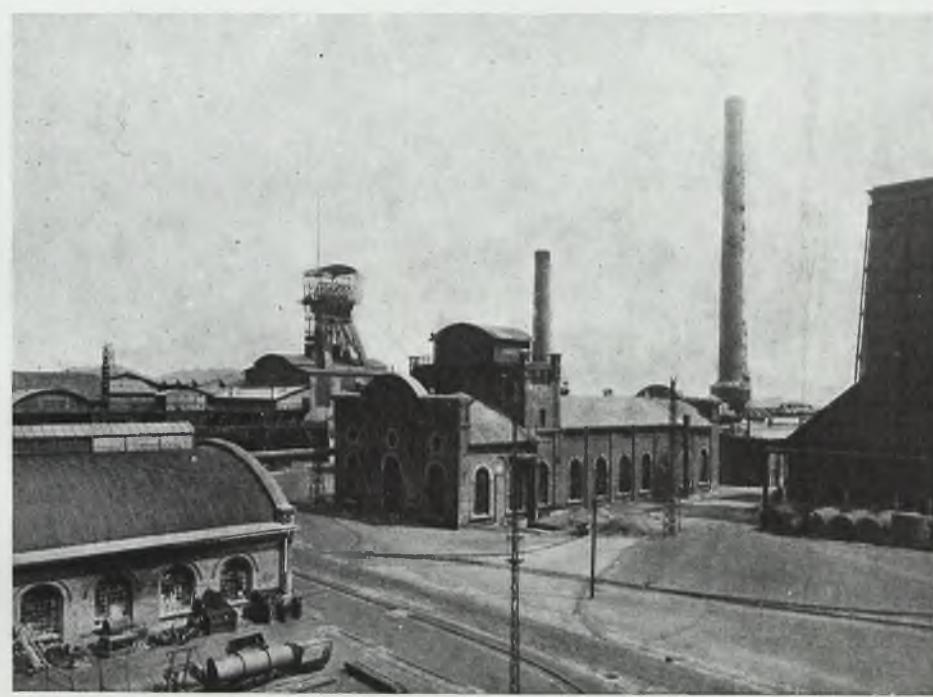
— The situation in the petroleum industry in May may be regarded as quite satisfactory. The number of wells being drilled is steadily increasing. In February last the number of wells drilled was 104, this rose to 111 in April, and additional drillings were undertaken in May. It is all the more interesting to note that certain of the wells are situated on State-owned areas some distance from the existing and previously developed oil fields. In view of the increased drilling activity there is a favourable situation for workers employed in the petroleum industry.

The output of crude oil amounted in March to 69,936 tons, and was larger by about 2,000 tons than in the corresponding month of last year. Similarly the production in April last reached 68,217 tons and was larger by some 3,000 tons as compared with April 1925. Though the reports are not yet available, it is estimated that the May production will attain the same level as in the preceding month.

The price for crude petroleum oil is about £ 200 per ton f. o. b. tank wagon.

Some 18 months ago the refiners formed themselves into a syndicate, called the "Zjednoczenie Gospodarcze Rafinerij Olejów Mineralnych w Polsce". This Syndicate fixes prices for petroleum destined for the home and export markets, according to the situation. Prices have to be maintained by the members of the Syndicate.

In addition, the latter determines the quantities which are allowed to be put



A COAL MINE

on the market by each member. This specially concerns such articles as petroleum, benzine, paraffine wax, the contingents of which are calculated in proportion to the quantities worked by each particular refinery in the course of a determined period. The establishment of a similar Syndicate for all other petroleum products is under contemplation.

The sale of paraffine wax on the home market is already centralised. Thanks to the Syndicate, competition between refiners is eliminated, and better prices being obtained, the refiners are in a position to pay higher prices for raw material, which in turn influences favourably the development of petroleum mining.

In April 1926 the aggregate export of refined petroleum products was 42,116 tons. Home consumption amounted to 20,229 tons. The exports of these articles in May amounted to 66,666 tons and were mainly directed to the Baltic States, the United Kingdom and France. Of this quantity 21,160 tons were sent by sea, and the remainder went by rail to Czechoslovakia and Switzerland. One of the biggest purchasers of petroleum was formerly Germany, but since July 1st 1925 the German frontier being closed for Polish goods, new outlets have had to be found. The sales formerly effected on German account have been more than compensated for by purchases in England, France and the Baltic States.

THE OZOKERITE INDUSTRY.—

Ozokerite, as is well known, is a valuable raw material for the production of church candles as well as for insulating purposes in electrical engineering. It is also used in munition manufacture. It is to be found in Russia on the island of Tchelikien and in the petroleum oil fields in Poland. The output of this material during the last 6 years was (in tons):

1920	368
1921	302
1922	430
1923	720
1924	724
1925	740

It will be seen that the production is increasing despite the state of depression prevailing on the Polish market. It is only natural for a large portion of this wax to be exported. Of the total of 740 tons produced in 1925—661 tons were sent abroad, the remainder having been absorbed by the Polish market.

The best customers for this article in Europe were Germany, France and Austria. The 1925 exports were divided between the following countries (in tons):

Germany	304
Austria	157
France	150
Italy	40
Czechoslovakia	10

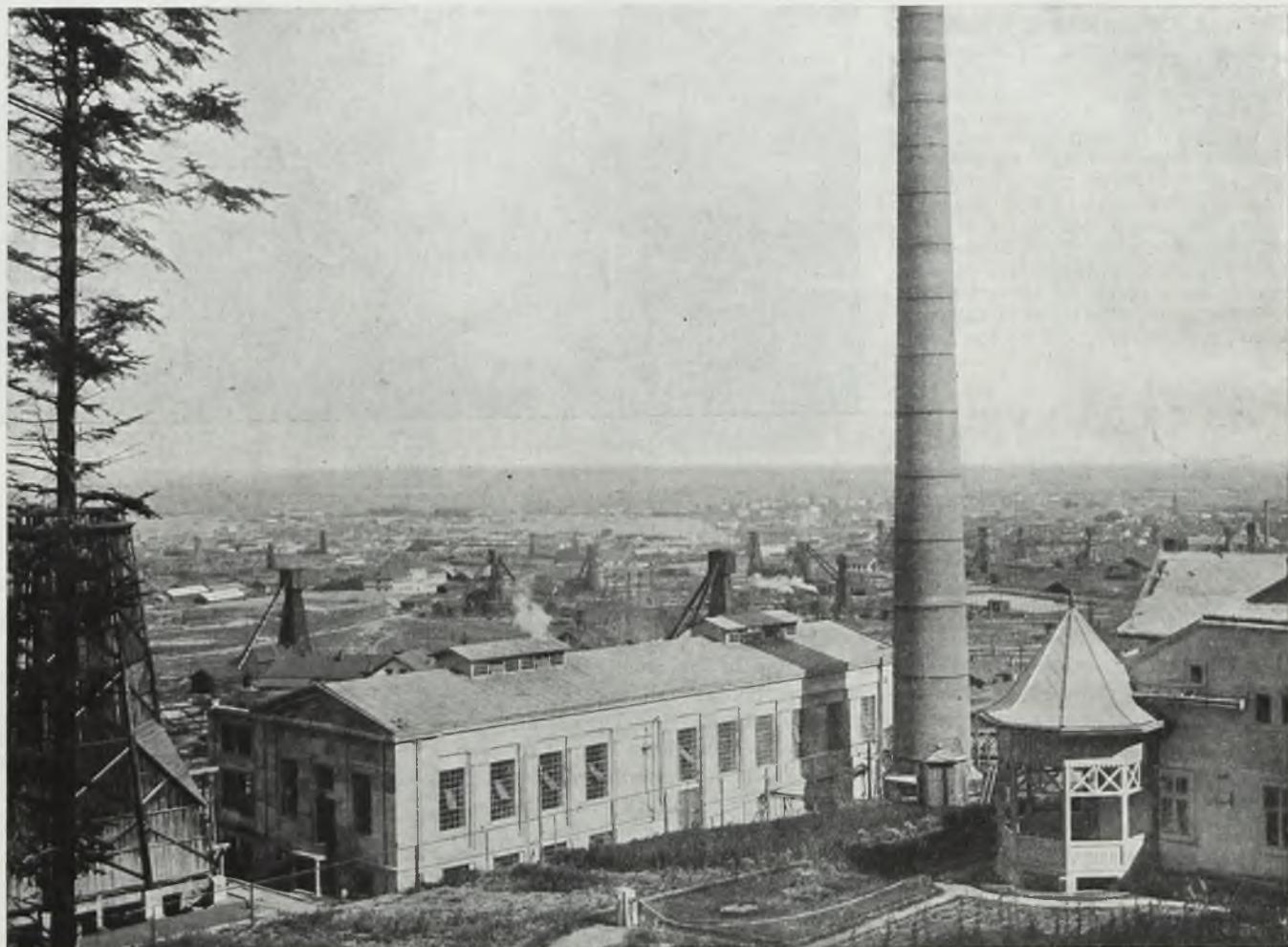
The output of ozokerite for the first three months of 1925 and 1926 is given below (in tons):

	1925	1926
January	52	58
February	76	51
March	84	55

The decline in production is largely due to the economic depression of the European markets, and also to the more

The Polish foundries on the whole use very small quantities of home produced ores. The surplus is sent abroad in exchange for material of a better quality. Originally the negotiations with foreign foundries for the sale of Polish ores gave no results. Subsequently

The situation on the iron and steel market in May has slightly improved. This is due to the activity of the Syndicate to which belong all foundries without exception. This body was created with the object of introducing the most rational methods of production.



POLISH OIL FIELDS

or less successful endeavours to replace ozokerite by cheaper articles.

"LIMANOWA" LTD. AND "SILVA PLANA" LTD. — Recently these two important petroleum companies have amalgamated, the capital of the new concern being 175,000,000 French francs. The Limanowa Company owns a refinery capable of dealing with some 120,000 tons of crude oil per annum and possesses numerous oil wells producing about 20,000 tons of crude oil a year. The Silva Plana Company is a purely crude oil producing concern with a yearly output of about 72,000 tons.

IRON

— The situation in 1926 in the iron industry has undergone no change. The same applies to activity in iron mines.

when the Polish ores proved excellent as additions to rich ones, sales for foreign account were effected on a large scale. The output of ores, exports and imports of ores rich in metal are given in the following table (in tons):

	Output	Exports	Imports
April 1926	19,680	5,024	14,420
May 1926	21,800	6,891	18,027
May 1925	19,731	—	—

The total number of workmen employed in the extraction of iron ore was in May 3,400 against 3,283 in April; 31,860 — in iron foundries. The number of furnaces in blast was 8 both in May and April.

Since May 8th the price of iron has been X 325 per ton f-co works, against X 265 previous to that date. The exports of iron and steel are chiefly directed to Rumania, Austria and the Baltic States.

ZINC

— The zinc and lead industry is by far much the best situated industry in Poland. It is not affected by the prevailing depression of the Polish market, and the activity in this industry is normal.

The following table illustrates the output of crude zinc and lead (in tons):

as well as the number of workmen employed during May and April last:

	Crude zinc (tons)	Crude lead (tons)	Number of workmen employed
April 1926	9,748	2,296	11,452
May 1926	10,116	2,240	11,412

Zinc is produced in Poland partly from local and partly from foreign ores. The

May and April 1926, and the aggregate export covering the last few months (in tons):

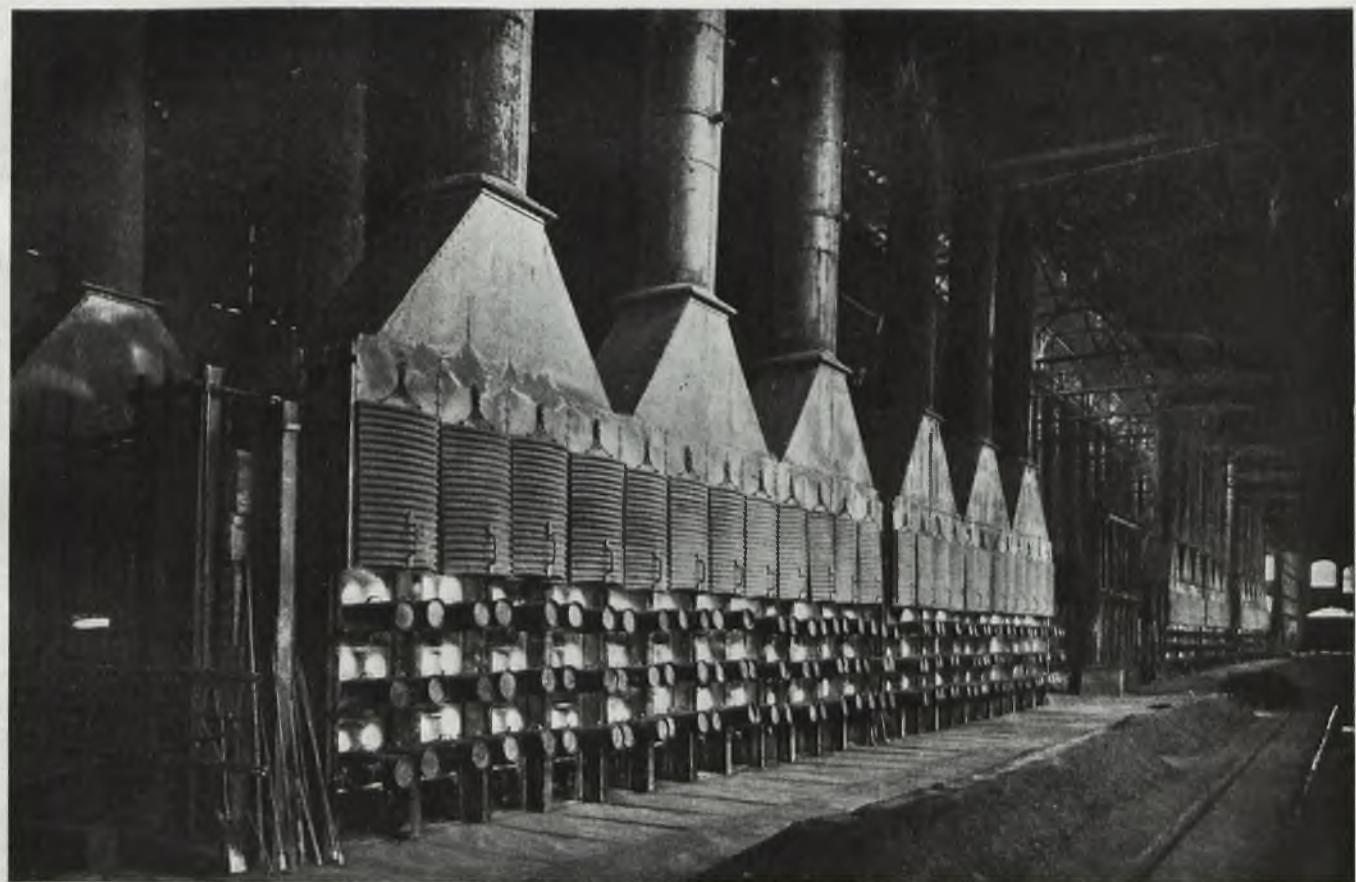
	Zinc	Zinc sheets	Lead
April 1926	8,940	581	788
May 1926	11,056	607	1,482

Prices of zinc and lead in Poland are exactly the same as those ruling on the London market.

1) the authorisation for the importation duty-free of zinc ore for a period of 25 years, and permission for the export of metallic zinc without export duties for the same period;

2) the freeing of zinc producers from the payment of the special levy on capital.

The original scheme of the Harriman group included the refining of zinc ores produced in the German provinces adjacent to the Polish frontier, but owing to the difficulties raised by the German Government, who desired to develop the zinc industry within its own boundaries and did not in consequence feel inclined to facilitate the export of zinc ores to Poland—this portion of the scheme had to be dropped.



OVENS IN ZINC SMELTING WORKS

following table gives the amount of ore extracted prior to its being enriched and the amount of imported ores (in tons):

	Output of zinc and lead ores	Imports of: zinc ores	Imports of: lead ores	Number of workmen employed
April 1926	95,186	4,330	153	9,499
May 1926	91,360	5,309	877	9,500
May 1925	89,470	—	—	9,134

Zinc and lead are very important export articles and are mainly sent to England, Germany and Czechoslovakia.

The following table gives the quantities of lead and zinc sheets exported in

"G. GIESCHE LTD."—The Anaconda Coppermining Company of America together with the Harriman group is acquiring 51% of the shares of the "Spadkobierczy Jerzego de Giesche" S. A. (Successors of G. Giesche Ltd.), the most important firm of zinc producers in Poland which concern, in addition to zinc and lead mines and foundries, possesses also extensive coalmines.

The American group who have decided an immediate investment of some ten million dollars for extensions and improvements, will benefit from the recently passed act on the subject of the protection of the Polish zinc industry.

The act in question permits the Government to make special concessions to individual concerns in the zinc industry which have attracted the investment of foreign capital, on the condition that the fresh capital is employed for the purpose of new investments and extensions. The concessions allowed are the following:

METAL INDUSTRY

THE WARSAW LOCOMOTIVE WORKS LTD. has arranged for a 2nd emission of shares to the amount of £ 2,500,000 by the issue of 100,000 new shares at £ 25 nominal value and £ 32.50 issue price.

ELECTRICAL INDUSTRY

THE POLISH ERICSSON ELECTRICAL COMPANY.—The Polish affiliation of the well known Swedish Company has increased its capital by £ 880,000, by the emission of 8,800 shares of £ 100 each.

CHEMICAL INDUSTRY

THE TOMASZÓW ARTIFICIAL SILK COMPANY has increased its capital by £ 6,000,000.

by the issue of 200,000 new shares of a nominal value of $\text{X} 30$. The issue price was $\text{X} 34.50$.

"RADOCHA" LTD., CHEMICAL WORKS. — The well known producers of explosives for

mining and industrial purposes has recently increased its capital by $\text{X} 1,648,000$ by the issue of 41,200 shares at $\text{X} 40$ nominal and $\text{X} 45$ emitted.

MOVEMENT OF PRICES IN MAY.—

The prices in May were firm with slight upward tendency which commenced after the March decline. This trend, however, was smaller in intensity than

per 100 kg.). Prices for refined petroleum and building materials remained at the same level.

According to the opinion of the Chief Statistical Bureau, the general index of

CERAMIC INDUSTRY

"COMPAGNIE DES GLACES DU MIDI DE LA RUSSIE" domiciled in Belgium, having also a factory at Radom (Poland), have increased the capital of their Polish Branch by 6,250,000 Belg. francs.

and sugar went up by 7.2%, hides and leather — 11.5%. As a result of the increase in prices of coal and iron, metal and coal group rose by 11.5%. Raw materials and textiles experienced a rise of 9.1%, chemicals — 4.9%, building materials — 1.7%.

The increase of wholesale prices brought about a corresponding increase in the prices of the retail trade. The index for the last named represented in March 214.6, in April 227.6, in May 246.6. It resulted therefrom an increase of 8.4% as compared with last month.

Since January the index of retail prices has gone up by 14.4%, and that of wholesale prices — by 27.5%. It will be seen that the difference is a very small one. In connection with the increase in wholesale prices the cost of living of a workman's family has increased by 4.3%.



ONE OF THE PAVILIONS AT THE LWÓW EASTERN FAIR

in April. A radical change in this respect was brought about at the end of May, when an upward movement followed by a sharp decline, was observed.

These fluctuations of prices are above all the result of the złoty exchange in May; nearly all articles including export commodities went up, though in the latter group the tendency was not uniform. Of the imported articles the average weekly price for American cotton good middling 28 mm rose from $\text{X} 4.89$ to 5.42 per 1 kg. loco Łódź, i. e., an increase of 10.9%. Cotton yarns 1/32 rose from $\text{X} 9.12$ to 10.34 loco Łódź — a gain of 13.4%. Of export articles the prices of corn experienced the most substantial increase, tending to reach the level of those ruling on foreign markets. Thus average weekly quotations for wheat rose from $\text{X} 50.85$ to 57.90 for 100 kg. — an increase of 14.1%, oats — 4% (from $\text{X} 33.20$ to 34.65

wholesale prices in May was 181.2% *) in April — 166.6%, and in March — 145.7%. As is shown by the above figures, it is significant that the level of the wholesale prices index in May increased by 8.8% while at the same time the increase in stable currencies represented about 17% **). This means that the general level of prices in Poland calculated in gold decreased very substantially. The rise in the index mentioned is accounted for by the increase of prices of home agricultural produce by 18.3%, and by 11.7% in the manufactured goods. Grain, vegetables and food-stuffs rose by 18.7%, whereas meat and derivatives — only by 5.2%. Colonial produce

*) Prices of 1913 = 100.

**) According to the quotations on the Warsaw Stock Exchange, the average złoty — dollar exchange was: in April 9.01, in May — 10.55, and the złoty-sterling exchange: 43.96 and 51.25 respectively.

FAIRS AND EXHIBITIONS

THE LWÓW EASTERN FAIR. — This year's Fair, to be held from September 5th to 15th, will be the 6th in succession. The Fair is essentially an international one and for the last few years foreign exhibitors have been represented in large numbers. This is accounted for by the situation of Lwów which, year by year, is becoming a commercial centre of the Eastern Europe.

It should be remembered, that Lwów is situated quite close to Russia, Rumania and Czechoslovakia, and that the trade traditions with these States and also with Turkey, Persia and the Balkans have been well maintained by the business section of the population of that region.

Impressions and discoveries likely to be made there, may lead to valuable suggestions and trade efficiency which no other commercial centre in Europe now affords.

Applications of exhibitors will be received up to and including August 1st and should be addressed to the "Targi Wschodnie" (The Eastern Fair) Lwów (Poland), 1, Jagiellońska, or to the Editor of "The Polish Economist".

Rates for stands per 1 sq. m. are fixed at 30 — 40 gold francs in buildings and 8 gold francs in the open. The minimum areas reserved are: in pavilions — 4 sq. m., in the open — 10 sq. m.

In addition to General Fair of Industry and Agriculture there will also be held: Building Exhibition, Roads Exhibition, and Alimentary and Higiene Exhibition.

A WIRELESS EXHIBITION was held in Warsaw from May 24th to June 14th. It proved a great success in view of the development of wireless and broadcasting in Poland. Demonstrations of apparatus made by local and foreign makers were successfully given. The business results of the exhibition were good.

POLAND AND THE STOCKHOLM FAIR. — This year Poland participated in that fair on a much larger scale, than in previous years. The exhibits had been transported to Stockholm by the vessel "Lwów", belonging to the Government marine school at Tczew. All branches of Polish industry catering for foreign markets were represented at this fair.

At the same time a special official Polish Mission visited Stockholm.

FOREIGN TRADE

— The Polish foreign trade balance during the last few years has assumed various aspects. This was partly due to the general situation in Europe, but above all to the internal economic situation in Poland. Adverse in 1922, at the time of intensive reconstruction of the country, it became active towards the end of that year, "thanks to the inflation. It maintained this character during the whole year 1922. In 1923, an excess of exports over imports was visible during the period of the occupation of the Ruhr Valley, when an exceedingly favourable situation for the export of coal set in. The currency reform, effected in the middle of 1923, influenced adversely the foreign trade balance by provoking an increase in the cost of production and a simultaneous rise of imports and drop of exports at the end of 1923. The foreign trade balance was adverse throughout the year 1924 and the early part of 1925. In the middle of that year Germany suspended the Polish-German negotiations for a commercial treaty, and shortly afterwards the intervention of the Berlin Stock Exchange brought about a fall in the rate of exchange of the złoty. In reply thereto, the Polish Government took steps aiming at the restricting of imports, and thereby improved the foreign trade balance.

The results of these measures made themselves felt already in August. The adverse balance diminished rapidly, and commencing with September a new

period set in — a significant feature of which was the favourable balance.

The following table shows the development of the Polish foreign trade (monthly average—in thousands of gold francs):

	Imports	Exports	Excess of imports—or exports +
1922	70,446	54,596	— 15,852
1923	93,040	99,632	+ 6,590
1924	123,219	105,489	— 17,730
1925	131,514	104,367	— 27,147
1926 (1st quarter)	56,174	96,039	+ 39,865
April*)	68,405	93,940	+ 25,535
May*)	52,303	89,384	+ 37,081

The foreign trade balance in May (in zł) indicated that imports amounted to 106,371 against exports 181,783. In

ted in a very small quantity, the greater part of this sum represents the value of colonial foodstuffs, fruit and tobacco. Chemicals occupy one of the first places in Polish imports, totalling zł 12,446,000 although the average importation of these commodities is much higher. Metals and allied represent zł 5,033,000. Having its own metal industry Poland imports comparatively large quantities of copper and tin. The imports of machinery came to zł 6,103,000, and of communication appliances — to zł 2,703,000.

In other departments, imports of animal origin (mainly leather), ores and paper should be mentioned.

Among the exports, foodstuffs occupied the first place which in May represented zł 62,456,000. Among these were large quantities of rye, barley



INTERIOR OF ONE OF THE ŁÓDŹ FACTORIES

order to be able to form an opinion concerning Polish foreign trade, it is necessary to examine what groups compose the different items appearing therein.

Among the imports the most important group as regards the value is that of cloth and textiles, the imports of which in May amounted to zł 35,571,000. A half of this sum represents imports of cotton, namely zł 17,857,000. Nevertheless the import of this commodity in the course of the first five months of this year when compared with the corresponding period of last year has greatly diminished. The value of wool imported in May was zł 8,323,000 and showed also a decline. Foodstuffs amounting to zł 17,481,000 occupied the second place. Corn, meat and farm produce were im-

ports the third place. The value of these imports was zł 11,056,000. The imports of coal and briquettes amounted to zł 15,125,000. The imports of timber and woodware amounted to zł 33,044,000; this section comprised all kinds of sawn timber and logs — total quantity including woodware — 389,238 tons. Coal and crude oil exports amounted to zł 32,729,000. Among other, this item embodies coal and briquettes — 686,154 tons, lubricating oils — 14,717 tons, greases — 6,277 tons, benzine — 4,292 tons, petroleum — 5,143 tons and paraffine wax — 1,731 tons. The iron and steel industry is much depressed and exports in this department are limited. It is only owing to the export of 11,056 tons of zinc valued at zł 15,125,000 that the total export in the metallurgical department reached zł 22,082,000. An equally bad situation is noticeable in the textile section, the export figure being zł 9,582,000.

*) Estimated.

whereas the export capacity of the industry is several times as large.

The maintenance of a favourable foreign trade balance is one of the main factors of the Government's economic policy. Nevertheless the aim is to obtain good results in this respect not by means of the reductions of imports, as is necessarily the case now, but by simultaneous development of both, exports and imports.

In order to develop the export of manufactured goods and extend its foreign trade, Poland has to overcome credit crisis. Only then it will be able to increase also her imports, and in this way become a valuable market for foreign goods, especially such as machinery, special types of steel, electrical appliances etc.

THE POLISH CHAMBER OF COMMERCE IN CHICAGO.—This Chamber (1,800, S. Ashland Ave. Chicago III) has recently been created by a number of Poles residing in the United States. The aim of this Institution is to facilitate commercial relations between Poland and the United States of America.

For this purpose reliable information and help will be given to Americans trading with Poland. A special museum of patterns and specimens is affiliated to the Chamber.

CUSTOMS DUTIES AND FOREIGN TRADE REGULATIONS

IMPORT REGULATIONS. — After a free trade policy had been adopted by Poland in the year 1924, a small number of restrictions were maintained. They mainly concerned articles of a luxury character. The return to a policy of regulations took place at the end of 1925, in connection with the economic conflict with Germany, which resulted in an embargo being put on a number of commodities previously imported from that country. The articles affected were mainly luxury and semi-luxury, and also all those which were imported from Germany in large quantities or through its intermediary. Amongst them should be mentioned: colonial produce, fresh and canned fish, spirits, brandies and liqueurs, leather and leather goods, porcelain and allied wares, glass, rubber goods, certain metal and wood wares, fabrics, motor cars, bicycles, typewriters and arithmometers, watches, musical instruments etc.

Imports of machinery, raw materials and semi-finished articles necessary for home production, not produced in Poland, were not interfered with. Detailed specifications of the commodities affected

by the embargo are to be found in the new edition of the Polish Customs Tariff*).

To prevent German goods being imported through the neighbouring States, the prohibitive regulations have been extended to those countries. At the same time, for the States possessing commercial treaties with Poland, importation contingents have been determined. They were based on the volume of the previous imports. Later on, in view of the prolonged customs war with Germany, the contingents were definitely specified in individual treaties with the States interested. The importation of all commodities affected by the regulations is now allowed, on submission of permits issued by the Ministry of Industry and Commerce, provided the quotas allowed to be introduced into the country are not exhausted.

In order to make certain that the permit has been issued to cover the actual requirements of trade and home production, the interests concerned are given a decisive influence in the matter of distribution of the contingents. This has been attained by the creation of a special board named the Central Import Committee. This is composed of representatives of trade organisations, as well as all Chambers of Commerce. The Committee is appointed to prepare and submit drafts of motions on the strength of which the Ministry of Industry and Commerce may grant the necessary permits. Representing production, commerce and the consumers, and being in direct touch with importers from the different provinces, the Central Committee is in a position to form an opinion as to actual needs, and thus to ensure rational distribution of contingents.

Applications for permits presented by importers are considered twice: first, by the local trade organisation having regard to the individual commercial qualifications of the applicants, and again at the plenary sittings of the Committee, which takes a decision on the strength of the general needs of the community.

Import permits are solely granted to registered and possessing the requisite trade licences firms operating on the territory of the Polish Republic (incl. the Free City of Danzig). Firms are required to submit to their organisations applications for permits, containing description, weight and value of goods, as well as the customs house through which they are to pass. The applications should be supplemented with invoices, proforma invoices or other commercial documents. Invoices attached to applications for the importation of goods from Austria and Czechoslovakia should bear the stamp of the Ministry of Commerce of the respective country. Applications for permits are accepted upon the production of trade licences in original or a copy certified by a Notary Public. Information is also given as to the prospects for the issue of a permit. After a decision has been taken, the applicant is informed of the issue and is required to pay the manipulation fees, which are fixed at 4% of the value of the goods on the home market. The permits

are valid for 3 months after their issue, without the privilege of prolongation. The goods may, however, be cleared in instalments, during the period of validity.

Import licences may also be submitted by foreign exporters. They should be addressed to the nearest Polish Diplomatic or Consular Post or directly to the Ministry of Industry and Commerce in Warsaw. The name of the Polish importer should also be given. Such applications are sent to the Central Committee for dispatch to the respective trade organisations, who get in touch with the Polish buyer, in order that the application may be endorsed by him. After being confirmed, the application follows its usual course. This procedure, adopted for certain special cases, is somewhat inconvenient. It is therefore recommended in the interests of both the seller and the buyer that the application be made by the Polish importer. The procedure described is applied to imports from all countries except Germany.

As regards imports from Germany, permits are given only in exceptional cases, and for articles required by the industry which cannot be obtained elsewhere. Finally it should be mentioned that imports coming through German ports are treated in the same way, as those from Germany—no attention being paid to the origin of the commodity.

Import licences for small parcels destined for private individuals are granted in a much simpler manner.

Special import contingents have been determined for the Free City of Danzig. These embrace all foreign countries including Germany and have no relation whatsoever to the general contingents. Within the limits of the latter import licences are issued, on the condition, however, that the goods imported are intended for the home consumption of the Free City and that they will not be allowed to be sold to Poland under any circumstances.

The distribution of these contingents is effected in Danzig by the local authorities.

CERTIFICATES OF ORIGIN.—As the commercial treaties between Poland and other countries provide for reduction of customs duties on certain imported foreign goods, it is essential for the customs authorities to be able to ascertain at the time of importation of the respective merchandise into Poland what is the country of origin, in order to be able to make the necessary reductions. For this purpose certificates of origin have been introduced to prove that the goods in question when imported into Poland from a country entitled to preferential treatment are indeed the produce or manufacture of that country and arrive immediately therefrom.

Also the present customs war between Poland and Germany has caused certain goods to be prohibited from being imported into Poland. Other countries, especially those which have entered into commercial treaties with Poland, receive permits to introduce certain quantities of such prohibited goods. At such times certificates of origin are naturally requi-

*) See Page 29.

red, whether the goods in question benefit by a customs duty reduction or not. As for goods which are allowed to be imported without restrictions, certificates of origin are required only in respect of merchandise for which a customs duty reduction resulting from a commercial agreement is claimed.

The rules governing the issue of these documents are as follows:

Certificates of origin are issued by Chambers of Commerce or similar duly authorised bodies of the country of origin of the goods and are legalised by visas affixed by the respective Polish Legations or Consulates. The conditions under which they are delivered are the subject of special instructions issued by the Polish Ministry of Foreign Affairs. According to these instructions any respective Polish Legation or Consulate has to exercise control as to whether the certificate was issued by a body appointed for that purpose, and contains authentic data, otherwise an explanation may be demanded or the visa refused.

The visa can only be placed on certificates issued by Chambers of Commerce or bodies appointed for that purpose, and then only in respect of goods originating from the country in which the body issuing the certificate of origin is domiciled (bodies authorised are to be named to the Polish Government by their respective Governments). The detailed prescription for the form of certificates require that the latter should be printed or type-written on a separate sheet of paper attached to the invoice or on the obverse side of the invoice. The columns of the document must be carefully filled in, and an accurate and exact description of the exported goods (preferably in accordance with the classification of the Polish Customs Tariff) must be given. Also the indication as to the firms or persons (consigners or consignees) must be exact and legal.

The certificates of origin should be in Polish and in the language of the country of origin of the goods, or in Polish and in French.

Visas are valid for a period not exceeding three months. The validity may be extended beyond that period in exceptional cases only, on permission of the Polish Minister of Industry and Commerce.

Goods in bond, stored at any Customs House situated on the Polish customs territory will be treated as goods despatched from the respective country of origin, if they comply with the conditions of the certificate of origin of that country.

Certificates of origin must be presented at the same time as the goods are examined. In exceptional cases protests against the assessment of the customs duty can be made, even if the certificate be presented at later date, but only on the condition that the general regulations on this subject are strictly adhered to.

EXPORT DUTIES.—The export customs duties having in view the retention of raw materials and semi-finished articles have been reduced this year to a minimum. The rates are adjusted by regulations issued by the Ministry of Industry

and Commerce, according to the situation of the market and the demand for a given raw material, prices ruling abroad and also the reserves of foreign currencies available. While the import tariff rates are permanent and may only be modified by the legislature, the export rates are elastic and may be changed by the Government. These alterations are, however, very infrequent, so that the export trade may be developed.

Recently the export duty on rabbit and hare skins was raised from 100 to 200 per 100 kg. This was effected in connection with an increase in prices abroad, and also on account of the devaluation of the złoty. Export duties on scrap iron and low grade iron ores were repealed. The present export duties are given in the following table (in zł per 100 kg.):

Raw bones	4—
Raw hides and skins:	.
ox hides	24—
calf skins	60—
horse hides	25—
sheep skins	30—
goat skins	60—
hare and rabbit skins, untanned	200—
waste and cuttings	4—
Timber:	
poles and logs of:	
coniferous trees	0·40
foliferous trees	2·20
with the exception of beech trees	
unwrought aspen wood, aspen beams and boards	1·50
Rubber and gum waste	5—
Antimony in shavings, fillings and scraps	150—
Ores:	
manganese ores	5—
zinc, lead and copper ores	30—
Slags:	
containing iron	2—
" zinc and lead	10—
tin ashes	200—
cupriferous slags and ash	60—
Iron scrap, white sheet scrap excluded	5—
Scrap and shavings:	
copper	150—
cadmium	150—
nickel and aluminium	100—
brass, phosphor bronze, tombac, argentine (German silver)	100—
tin	500—
lead	50—
Rags, fabric cuttings, old cables, cordage, paper clippings and waste	15—

POLISH CUSTOMS TARIFF.—In connection with the amendments introduced by Government regulations, a new Tariff was published in the Polish language by the weekly "Przemysł i Handel", Warsaw, 2, Elektoralna, and in German

by the "Economic Association of the Polish Silesia" (Zrzeszenie Gospodarcze Polskiego Śląska), Katowice. Prices of these editions are zł 10 and 16 respectively.

TRANSPORTS

RAILWAY TRAFFIC IN MAY.—The average number of 15 ton waggons loaded daily in the course of May amounted to 10,160 against 10,295 in April 1926 and 10,743 in May of last year. The slight decrease in transports may be considered as a transitory phenomenon brought about by momentary difficulties in communication. It is, however, worthy of note that in the preceding month the average number of trucks loaded was larger by 367, than that in the corresponding month of last year. Of the total number of trucks loaded, 7,701 carried goods destined for home consumption, and the remainder, i. e., 2,459 waggons were freights for export purposes.

In the first group the average daily carloadings were as follows (15 ton trucks):

coal, coke, briquettes	2.224
crude oil & petroleum products	152
timber	697
agricultural produce	566
raw materials and manufactures	1.165
miscellaneous	2.897
Total	7.701

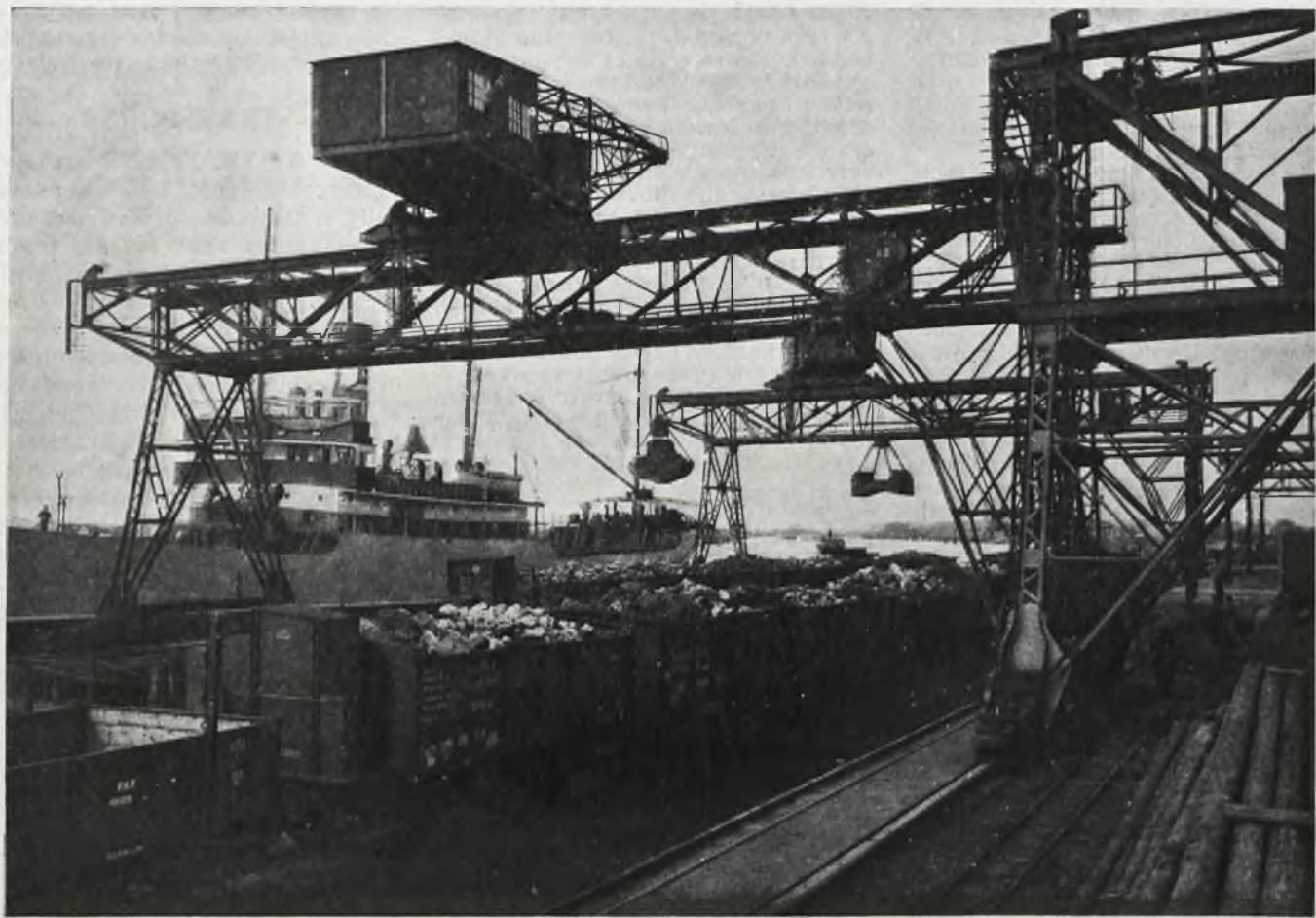
The average daily export loadings in the different groups were the following (15 ton trucks):

coal, coke, briquettes	1.428
crude oil and petroleum products	87
timber	695
grain	66
miscellaneous	183
Total	2.459

The number of waggons received from abroad was in May last 360 per day against 383 in April and 724 in May of last year. The difference between the number of trucks sent abroad, and those received is explained by the fact that Poland's imports are composed chiefly of finished and semi-finished articles, whereas exports comprise mainly the raw materials enumerated above. The average daily number of trucks in transit was 696 in May against 752 in April and 679 in May of last year.

INCREASE OF RAILWAY FREIGHT RATES.—As from June 10th the freight rates of the Polish railways have been increased by about 10%. The increases vary according to the distance, namely:

up to 100 klm. from 18	20%
100—300	12—15%
300—500	10—12%
500—800	0—5%
800—more	0%



LOADING OF POLISH COAL FOR SWEDEN

It should be remembered that during the year 1925 Polish freight rates had been reduced on several occasions. The Government embarked upon this policy to help the industry which is passing through a heavy crisis.

But now, as a result of its own budgetary difficulties, the Government is compelled to apply the principle of self maintenance to the railways. Despite this measure the present freight rates are lower than those in force last year; it may be worth while to recall that these have not ceased to be the lowest tariffs in Europe.

DIRECT RAILWAY COMMUNICATION BETWEEN POLAND AND RUSSIA.—In pursuance of the Railway convention between Poland and the Union of Socialist Republics, this communication was opened on the May 15th. This makes it possible to send goods directly from Poland to Russia and vice-versa, and thus avoid re-expedition formalities on the frontier.

At the same time, for the purposes of this traffic, there are being opened two additional trading points, so that transhipment of goods traffic on the Polish - Russian frontier can be effected at the five following points: Stolpe —

Niegoreloje, Zdolbunowo — Szepietówka, Podwołoczysk — Wołoczyska, Zahacie — Farbynovo, Mikaszewicze — Zytkowicze.

Direct communication for transit purposes which on the Polish - Russian frontier represents 62% of the whole freight traffic, is not yet available; this will not be possible before the States interested in the transit in question join the Polish - Russian agreement. Negotiations in this matter between Germany, Poland and Russia are already in progress.

PORT TRAFFIC IN MAY 1926.—The number of ships entering Danzig in May was 511 totalling 292,026 registered tons, while the number of ships that left the port was 487 with 259,756 tons.

In April there were 442 arrivals totalling 265,711 registered tons and 444 departures totalling 263,542 registered tons.

There is a great difference compared with May last when the number of arrivals was 298 ships totalling 127,288 registered tons and the number of departures was 315 totalling 138,925 registered tons.

It will be seen that in the course of one year the port traffic nearly doubled. This increase is partly due to the exports of coal.

The nationalities of ships which called at Danzig during May were the following:

	Arrivals:		Departures:	
	shtp	reg.tons	shtp	reg.tons
Poland & Danzig	50	12,899	47	12,356
Germany	174	73,691	169	67,332
Finland	9	6,845	8	4,767
Estonia	4	1,472	5	1,546
Latvia	13	10,311	13	11,682
Lithuania	1	437	—	—
Sweden	118	62,293	120	64,103
Norway	17	15,102	18	11,105
Denmark	80	55,024	74	49,500
England	16	18,595	17	19,576
Holland	11	4,259	11	3,451
France	10	10,719	6	6,253
Spain	—	—	1	1,720
Italy	6	15,125	2	6,048
Greece	1	1,894	—	—
United States of America	1	3,360	—	—
Brazil	—	—	1	327

At the port of Gdynia, which is being extended, 28 ships departed in May; they came with ballast, and the cargo

taken was 37,502 tons of coal and 422 tons of oak boards. The traffic in Gdynia has developed, the number of ships in April last being 17.

LOAN TO THE COUNCIL OF THE DANZIG PORT.—The Council of the Port of Danzig composed of Poles and citizens of the Free City of Danzig in equal numbers, headed by a neutral President, who is now Mr. H. de Loës, of Swiss nationality, has secured recently from the Senate of the Free City the amount of 8 million Danzig Gulden (about £ 400,000) granted to the Free City by the British Overseas Bank Ltd., and Herbert Wagg, under the auspices of the League of Nations.

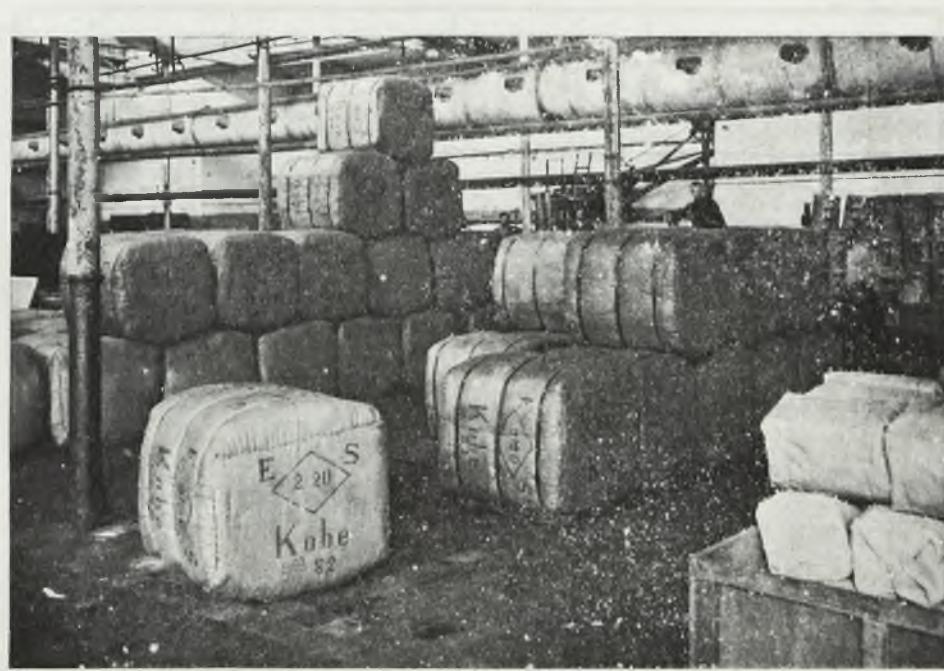
This loan enabled the Council to provide the port with 20 steam cranes of varying capacity ranging from 3 to 7 tons including 2 cranes on the Ardel system, and 2 of smaller dimensions. Besides this, some sections of the embankment were strengthened, and a fog signalling station is being ordered. The acquisition of an icebreaker and a floating crane complete the list of the new equipment.

The Polish Ministry of Railways has undertaken the building of new tracks.

At this moment the Council of the Port is in touch with a banking group of New York concerning a further loan amounting to \$ 6,000,000, which sum is also to be devoted to improvements of the port facilities.

AERIAL COMMUNICATION in Poland has of late made great progress. There are 7 regular aerial services between different towns and this is illustrated by the following statistics in May:

The total number of flights during that period was 275 covering 90,861 klm.,



COTTON YARN IN A DANZIG WAREHOUSE FOR SHIPMENT TO JAPAN

the average distance per flight being 300 klm. Some 600 passengers, 4,000 kg. of merchandise and 79 kg. correspondence were carried. The regularity of service was 98%.

CORRESPONDENCE WITH POLAND.—Letters coming to Poland from abroad are very often delayed owing to insufficient address and inadequate knowledge of Poland's geography on the part of the senders. In view of this, it is necessary that letters addressed to Poland, in addition to the name of the country and locality, should also contain the name of the Province.

A PARCEL POST-SERVICE BETWEEN POLAND AND PERSIA was opened on the 1st of June. The new route goes to Persia via Bremen in Germany and from there by steamer to Bushire. The departure of the liners is to take place every 8 weeks. Parcels sent by this route may not exceed 10 kg. in weight, while the highest value declared is fixed at 1,000 gold francs, or equivalent.

In addition to this route there is another line also through Germany, namely through Hamburg and Karachi. There is a service every 10 days, and the maximum weight of a parcel is fixed at 5 kg.

FINANCE AND BANKING

STATE REVENUE AND EXPENDITURE.—In May State revenues reached the amounts appearing in the budget estimates, while expenditure, thanks to the policy of economy pursued by the Ministries, was much lower than was anticipated (in million £):

(Table—see next page)

The excesses of sums estimated under the heading of State loans and partly under that of the Ministry of Foreign Affairs were caused by the rise of foreign exchanges. These expenditures, laid down in April last, were calculated

on the basis of \$ = £ 7·50, while at the time of spending the dollar exchange exceeded £ 10.

The substantial decrease in the expenditure of the Ministry of Labour and Social Protection is to be attributed to the improvement in the labour situation. The Ministry of the Interior paid already in April a part of the Police salaries. All the Ministries cut down their expenses which was all the more difficult to achieve, as the index of prices in May rose considerably. The deficit for May was more than £ 12 million.

The receipts and disbursements in

the course of the last 5 months in relation to the monthly estimates and the revised preliminary budget for the year 1926 are shown in the following statement (in million £):

	The amount of the 5 monthly estimates	5/12 of the revised budget of the 5 monthly estimates for 1926	A c t u a l: % in rel. to the yearly budget
Expenditure	735·4	720·9	716·4 41·40
Revenues	591·0	636·7	644·5 42·17
Deficit:	144·4	84·2	71·9 —

The sum of £ 11·9 million was included in the expenses for May being

	Revenue		Expenditure	
	estimated	actual	estimated	actual
A) Civil service	93.3	93.8	162.7	147.6
The President of the Republic . . .	—	—	0.2	0.1
The Parliament	—	—	0.9	0.7
State Control	—	—	0.3	0.3
Council of Ministers	—	—	0.1	0.1
Ministry of Foreign Affairs	0.6	0.6	2.3	2.6
" War	1.3	0.8	48.7	47.3
" the Interior	0.9	1.1	13.8	6.8
" Finance	83.0	83.9	8.0	6.8
" Justice	2.7	2.5	6.2	5.9
" Industry and Commerce	0.2	0.2	4.3	0.8
" Railways	—	—	0.2	0.2
" Agriculture and State Lands	0.8	0.8	3.3	2.3
" Religious Cults and Education	0.5	0.8	22.9	22.6
" Public Works	1.7	1.3	8.3	7.0
" Labour and Social Protection	—	—	9.3	6.9
" Land Reform	—	—	2.7	2.1
Pensions	1.9	1.6	5.6	5.3
Grants to Invalids	—	—	8.9	8.4
State liabilities	—	—	16.4	21.1
B) State Enterprises	3.2	1.8	1.3	1.3
C) Monopolies	39.7	41.1	—	—
Total A + B + C	136.3	136.3	164.0	148.9

the amount paid towards the salaries of the civil service and of officers on leave. The actual deficit for 5 months amounts to $\text{X} 60$ million. The revised provisional budget of the Government anticipated a deficit of $\text{X} 202$ million for the year, whereas on the basis of the present deficit it would amount about $\text{X} 150$ million for the whole year.

BUDGET ESTIMATES FOR THE 3RD QUARTER 1926.—On June 16th the Government submitted to the Parliament a bill concerning the provisional budget for the 3rd quarter 1926. As in the case of the four previous estimates (for January—March, April, May and June) this is based on the budget of the year 1925. The credits foreseen for the 3rd quarter amount to $\text{X} 461.8$ million. When one compares this sum with $1/4$ of the credits appearing in the budget for the year 1925 and with that of $1/4$ of actual expenditure in that year, it becomes apparent that the level of expenditure has not increased despite the fact that exchange value of the złoty has nearly halved and its purchasing capacity on both the home and foreign markets has been reduced in nearly the same proportion though not to the same extent as the index of home prices rose. The maintenance of expenditure within the nominal limits is achieved at the expense

of considerable reductions. It should also be noted that the real as well as the nominal values in certain sections have increased naturally: to begin with there are expenses in foreign currencies used for the settlement of foreign loans and interest (an increase of real value) in connection with the agreements relative to the consolidation of loans, and the loan advanced by Messrs Dillon, Read & Co. in the year 1925.

It should be remembered that the amount used for grants for the unemployed has also substantially increased the State expenditure.

Despite reductions in expenditure, the budget continues to be unfavourable, the deficit for the first 5 months of this year being $\text{X} 71.9$ million (about 10% of the total expenditure). Of course it may be adjusted by increased revenues and the continuance of economic policy in the sphere of State administration. For this reason the budget bill for the 3rd quarter aims at absolute equilibrium. The Minister of Finance will grant monthly credits, but only to the extent of revenues foreseen for that month. At the same time the manner in which revenues should be augmented is indicated by the bill; for that purpose the Minister of Finance is further empowered to institute a special temporary increase of 10% in taxation in order to establish the equilibrium of the budget. The revenue will be in-

creased not only by the raising of taxes and dues but also by increased receipts from State-owned enterprises and monopolies.

The provisional budget for the 3rd quarter of 1926 submitted by the Government was entirely approved by the Parliament at the end of June.

TAXES IN MAY.—In view of the acute crisis through which Poland is passing now, the following particulars of tax revenues are of special interest. Both during the parliamentary debates on the budget, as well as in the press, doubts were expressed, as to whether it would be possible to collect taxes as anticipated and whether the revenue-side of the estimates could be realised. In view of the events that took place in May, the results proved to be exceedingly good, the taxes having been collected in accordance with the estimates (the actual revenue was $\text{X} 121.4$ million and was in excess of the amount collected in the same period last year).

	Revenues: $1/12$ of the May 1925	May 1926	yearly budget
Direct taxes . . .	34.3	40.2	27.7
Indirect taxes . .	8.8	12.5	9.1
Customs duties .	27.5	13.4	16.7
Stamp fees	10.3	9.6	9.3
Total of the ordinary public revenues	81.—	75.7	62.7
Property tax . . .	2.6	4.3	5.0
Monopolies	31.6	41.1	37.9
Total of public levies and monopolies	115.2	121.1	105.6

These results are all the more satisfying when it is considered that, compared with the preceding year customs duties decreased by $\text{X} 14$ million, as a result of the improvement of the foreign trade balance. This difference was covered by the increased amount of direct tax revenues, and above all by the monopolies. The latter show a steady rise of profits giving thus evidence of the development of monopolies and efficiency in administration.

A glance at the Treasury receipts collected during the first five months indicates that the estimated sums were quite correct. Public levies and receipts from monopolies for that period amounted to $\text{X} 550.6$ million against estimated annual receipts of $\text{X} 1.267.5$ million which represent 43.44%. Last year during the same period the receipts were $\text{X} 553.1$ million.

Although Poland is passing through an economic depression which has only slightly lessened, in the last three months the Treasury receipts as compared with previous years, have increased, owing in the first instance to progress made by the administration.

Two years experience, acquired during a period of more or less stable currency has enabled the Treasury officers to make more correct and rational assessments.

No doubt an important factor was the excellent crop in 1925 which brought in this year £ 29·1 million compared with last year's figure of 17·5 million. It is also quite possible that in connection with the increase of prices, as a result of the fall of the złoty, the tax-payers are more easily able to meet their dues than was the case last year.

TAXES COLLECTED IN CORN AND COAL.—A new order on tax collections has been issued recently, whereby direct taxes including the inheritance tax, are allowed to be paid in corn and coal. The corn will be accepted by the competent military offices, while the coal is to be delivered to specially authorised firms. Prices of corn free on rail will be fixed individually in each district for periods covering 15 days. They will be based on data worked out by local

The aggregate amount collected in the last 5 months was some £ 90,000,000, small remittances by various district branches not included.

PROJECT FOR A SPIRIT MONOPOLY IN THE FREE CITY OF DANZIG.—The spirit and brandy industry of the Free City of Danzig which in accordance with the Versailles Treaty belongs to the Polish Customs Union, is suffering badly from competition with cheap spirits of Polish origin. In this connection the Senate of the Free City of Danzig is about to introduce a state monopoly for this product. This monopoly is to be based on the same principles as that existing in Poland. The project is being actively supported by local spirit distillers.

STOCK EXCHANGE

FOREIGN CURRENCIES

The average weekly foreign exchange rates on the Warsaw Stock Exchange in May, as well as the quotations of the złoty abroad are given in the following table:

The provisional figures of the balance of foreign payments and receipts for the past year and the beginning of the current year, although calculated with great caution, shows a favourable surplus amounting to nearly hundred million złoty. Unfortunately despite the favourable foreign trade balance questions of a psychological nature have prevented the inflow of foreign currencies to the Bank of Poland in sufficient volume.

The situation on the money market may become more difficult towards the end of June on account of payments to be made in connection with the settlement of foreign loans, but as in the course of the last days of May and the beginning of June the reserves of foreign currencies of the Bank of Poland showed a considerable increase, it is safe to assume that the large settlements referred to will not influence the złoty exchange.

		30.4	3—8.5	10—15.5	17—22.5	24—29.5	31.5	
Warsaw Exchange								
London	£ 1	47·29	49·42	49·64	52·65	53·61	53·15	
New York	\$ 1	9·70	10·16	10·20	10·80	11·00	10·90	
Paris	Fr. fr. 100	32·06	32·34	32·22	33·30	36·19	35·45	
Brussels	B. fr 100	33·27	31·69	32·13	32·41	35·22	—	
Zurich	Sw. fr. 100	187·90	196·99	197·75	209·32	213·42	211·55	
Milan	Lir 100	39·07	40·86	41·00	41·82	41·83	41·25	
Amsterdam	Fl. 100	390·90	409·15	412·21	435·42	442·97	439·10	
Vienna	Sh 100	137·40	143·83	144·40	152·72	155·76	154·40	
Prague	Kcz 100	28·80	30·16	30·37	32·05	32·65	32·35	
Stockholm	Kr. 100	260·30	271·92	273·64	289·27	294·76	—	
Foreign Exchanges								
London	£ 1 ...	50·00	50·00	50·00	50·00	50·00	50·00	par value
New York	£ 100 ...	10·50	10·35	9·83	9·02	9·06	9·25	19·30
Zurich	£ 100 ...	—	49·20	47·70	46·38	45·40	43·00	100—
Vienna	£ 100 ...	70·00	68·17	68·25	62·30	62·60	63·00	137·13
Prague	£ 100 ...	321·00	331·—	325·—	299·—	288·—	287·50	651·—
Berlin	£ 100 ...	50·05	49·30	49·82	44·02	44·96	47·12	81·—
Danzig	£ 100 ...	40·60	39·76	40·25	36·10	36·93	37·50	99·108

commissions specially appointed for that purpose. Prices for coal are to be fixed by the Government at the end of each month.

The issue of this order is calculated to assist the tax-payers and also to ensure collection of taxes as they fall due. In this way both the State and the industry are helping each other.

THE OPERATIONS OF THE SPIRIT MONOPOLY.—See page 20.

STATE SPIRIT MONOPOLY REVENUE IN MAY.—It is reported that the Spirit Monopoly effected in May payments to the Treasury amounting £ 16,645,620.

The rate of exchange of the złoty in May showed a further decline; this was due not so much to economic causes, but rather to the uncertainty of the political situation brought about by the Governmental crisis and also by the May developments. This supposition seems to be confirmed by the fact that the złoty on the Warsaw Exchange showed an upward tendency towards the end of May, i. e., after the stabilisation of the political situation, and in the beginning of June returned to the same level as at the end of April.

The comparatively slight drop in the złoty exchange in May is another proof that there are large reserves of foreign currencies being hoarded by the public who fear to sustain losses on the exchange. Lack of confidence in the stabilisation of the złoty is one of the main causes of the exchange fluctuations.

The quotations on foreign Exchanges, speaking generally, were lower than those on the Warsaw Exchange. In this respect Berlin and Danzig showed wide margins, and it is peculiar that on the two Exchanges mentioned the quotations



ELECTRICAL POWER STATION IN ONE OF THE ŁÓDŹ FACTORIES

of the złoty are lower than those on any other foreign Stock Exchange.

In London the złoty was practically featureless and was quoted at £ 50 to £ 1. In the second week of May a number of Exchanges abroad, including that of Berlin, ceased to issue złoty quotations. That is why the average weekly

exchange was much lower at the close of week ending May 22nd. During the political developments in May foreign exchanges being desorientated showed substantial differences in the rates of exchange of the złoty.

On May 31st the rate of exchange of the złoty calculated in percentages in

relation to par value was the following Warsaw 47·5, Prague 44·2, Vienna 45·9, Zurich 43·09, London 50·4, New York 47·9, Berlin 46·3, Danzig 47·5.

S H A R E S.

The following shares were quoted on the Warsaw Stock Exchange in May (in zł):

Industrial shares	30.4	3-8.5	10-15.5	17-22.5	24-29.5	31.5	Nominal
Bank Polski	48·63	48·93 ^{3/5}	52·39 ^{1/3}	49·36 ^{3/5}	47·57 ^{3/5}	49·88	zł 100—
Bank Handlowy w Warszawie	1·65	1·65 ^{3/5}	1·65	1·54 ^{1/2}	1·40 ^{3/5}	1·40	Mk. 1.000—
Bank Dyskontowy Warsz.	—	5·51	5·25	5·03 ^{1/3}	5·08 ^{1/2}	—	Mk. 5.000—
Bank Zachodni	0·85	0·85	0·85	0·87 ^{1/4}	0·89	—	Mk. 540—
Bank Zw. Sp. Zarobkowych	4—	4—	4—	4—	4—	4—	Mk. 1.000—
Warsaw Coal Mining Co.	1·73	1·79 ^{1/3}	1·91 ^{1/3}	1·67 ^{2/5}	1·59 ^{4/5}	1·77	Mk. 1.000—
Zieleniewski	10—	10·06 ^{2/3}	8·90	9—	9·05	9·20	Mk. 1.000—
Starachowice	0·83	0·87 ^{4/5}	0·91 ^{1/3}	1·81 ^{4/5}	0·73 ^{2/5}	0·78	Mk. 500—
Ostrowiec	3·93	3·94 ^{4/5}	4·11	3·45	3·11 ^{3/5}	3·18	Mk. 500—
Modrzejów	—	1·71 ^{4/5}	1·86	1·65	1·45 ^{1/3}	—	Mk. 500—
Żyrardów	6·60	6·99 ^{3/5}	7·17 ^{1/2}	6·22	5·99 ^{1/5}	6·50	Mk. 540—, rb. 250
Zawiercie	5·80	5·72 ^{1/5}	6—	5·15 ^{3/4}	5·11 ^{1/2}	5·40	Mk. 6.000—
Nobel Bros.	—	1·36 ^{2/3}	1·50	1·38 ^{1/4}	1·37 ^{1/2}	—	Mk. 1.000—
Polish Petroleum	—	—	—	0·14	0·20	0·23	Mk. 500—

In the course of May the share market was quiet; even the May events had little, if any, influence upon the quotations of the Bank shares. As regards bank shares, 5 first class institutions are mentioned, in which the banking transactions of the whole Republic of Poland are concentrated. The banks appearing in the schedules have contributed to a large extent to the development of industry; by granting credits and financing a large number of establishments in the different Polish industrial centres, they still continue to accord facilities to various enterprises in which they have smaller or greater interest. All banks in view of the general trade depression and the stringency of money were compelled to restrict their scope of operations. They struggle against difficulties caused by the insufficiency of indispensable credits, which is reflected in the profits made.

This category of banks does not include the Bank of Poland which as a

bank of issue was created to fill the special needs of the country.

During the period as from the end of April up to the end of May, the fluctuations in the quotations of bank shares were as follows:

Bank of Poland gained about 1%, "Bank Handlowy" fell about 15%, "Bank Dyrekcyjny" declined by 8%, "Bank Zachodni" gained 5% and "Bank Związkowy Spółek Zarobkowych" remained unchanged.

In the mining section transactions were only recorded in the shares of the "Warsaw Coal Mining Co." This enterprise, established some 60 years ago, is well known abroad. The shares of this company previous to the war were quoted over 300% of their nominal value. During May last the quotations were subject to slight fluctuations, and at the end of May they were quoted a trifle higher than in the corresponding period of April last.

In the metal section the "Starachowice", "Ostrowiec", "Modrzejów" and "Zieleńiewski" shares occupy a prominent

place. The quotations of these shares during the time mentioned show a decrease ranging from 5 to 20%. The main cause of this decline was a chronic lack of liquid money. Holders of these shares were compelled to negotiate, despite unfavourable situation on the market.

In the textile section "Zyrardów" and "Zawiercie" have the best reputation. Previous to the war the major part of the production of the two concerns was absorbed by the Russian market. The quotations for these shares fluctuated in May within very narrow limits.

Oil shares are much in favour and are being acquired by banks entertaining close relations with financial institutions abroad. Quotations for "Nobel Bros." were stationary, while "Polish Petroleum" gained a few points on the Warsaw and Lwów Stock Exchanges.

STATE, MUNICIPAL AND LAND LOANS

Of loans bearing interest those given below were quoted (in £):

State, Municipal & Land Loans	30.4	3-8.5	10-15.5	17-22.5	24-29.5	31.5	Nominal
8% Internal Gold Loan (conv. 1925)	—	151·94	154·22	153·50	151·83	—	£ 100—
5% Conversion Loan	33·—	32·55	32·50	32·—	32·—	31·88	£ 100—
6% External Dollar Loan 1920	732·35	755·80	746·38	752·45	758·51 ^{3/5}	759·—	\$ 100—
10% Railway Loan (1st series)	156·—	160·20	163·90 ^{3/5}	165·37 ^{3/5}	169·90	169·—	Goldfr. 100—
4% Land Bonds (pre-war)	19·—	—	—	19·37 ^{1/2}	18·63	—	Rub. 100—
4 ^{1/2} Land Bonds (pre-war)	29·55	23·74 ^{3/5}	23·93 ^{1/3}	22·22	21·03	22·03	Rub. 100—
8% Land Bonds 1924	—	9·01 ^{4/5}	9·30	9·65 ^{1/2}	9·93 ^{1/3}	—	\$ 1—

The fluctuations as regards these loans were insignificant in May, the 8% Internal Gold Loan of 1922 and 10% Railway Loan are maintained at 80% nominal value in gold.

The 6% External Dollar Loan 1920 payable in dollars, placed mainly among the Polish emigrants to America, is valued at 70%. Only the 5% Conversion Loan owing to the fluctuations of the Polish currency is quoted at 1/3 of its nominal value.

The above loans being expressed in stable currencies represent an interesting investment for capital, especially for abroad, where the rates of interest are not as high.

As regards long term mortgage credit bonds, the most popular are the 4% and 4^{1/2}% land bonds in rubles, recently converted into złoty. In 1924 Dollar bonds bearing 8% interest were issued.

During May these bonds declined by 5%, while those expressed in dollars were subject to slight fluctuations, according to the dollar rate of exchange.

It should be mentioned that the long term land bonds are guaranteed by mortgages on landed estates and represent a very interesting investment on account of very low quotations.

bank notes issued — from £ 392·9 million in April to £ 413 million in May.

Already towards the end of May there were favourable signs in the activity of the Bank but these became visible only in the first days of June. The rise of the złoty at the close of May and the beginning of June was responsible for the large offer of foreign currencies and especially dollar bank notes, while at the same time the demand for foreign currencies and foreign exchange on the Official Stock Exchange and in private circulation diminished considerably.

Owing to this situation on the money market, the Bank of Poland was easily able to provide the Polish Government with a sum amounting to over \$ 2,000,000, necessary for the settlement of an instalment together with accrued interest

BANK OF POLAND

The main items of the balance sheet of the Bank of Poland during the April and May ten day periods were the following (in £):

(Table — see next page)

There were practically no changes in the accounts of the Bank, with the exception of an increase of 5% in the

	APRIL 30th	MAY 10th		MAY 20th		MAY 31st	
Assets:							
Gold in bars, bullion and cash	56,759,547.98		56,789,702.30		56,824,255.78		57,881,387.02
Gold on deposit abroad	77,187,909.12	134,247,457.10	77,487,909.12	134,277,611.42	77,487,909.12	134,312,164.90	134,369,296.14
Foreign balances		51,401,185.39		53,565,571.99		54,765,615.97	53,407,575.47
Silver and token coins		602,421.42		630,381.14		1,260,453.87	728,098.06
Bills of exchange		303,826,390.30		299,134,768.22		300,413,586.64	302,901,331.33
Loans against securities		29,473,770.67		29,361,435.18		29,468,095.18	30,378,725.18
Report		19,823,630.50		20,315,370.00		20,464,440.00	20,495,940.00
Loans to Government		21,656.0.00		23,270,610.00		23,430,720.00	23,607,900.00
Treasury notes discount		50,000,000.00		50,000,000.00		50,000,000.00	50,000,000.00
Property and fittings		33,311,381.74		33,312,596.34		33,314,316.34	33,316,091.16
Other assets		32,570,866.99		32,683,415.93		35,209,685.66	34,883,948.76
Liabilities:		676,413.104.12		676,551.763.22		682,639.078.06	684,088.906.10
Capital		100,000,000.00		100,000,600.00		100,000,000.00	100,000,000.00
Reserve found		2,907,870.00		2,907,870.00		2,907,870.00	2,907,870.00
Notes in circulation		392,893,280.00		379,404,180.00		379,541,200.00	412,963,400.00
Current accounts:							
Government Institutions	324,272.39		9,534,219.34		5,485,965.62		5,418,287.29
Outstanding guarantees	53,334,495.23		58,093,050.80		65,688,383.89		34,334,495.01
Various	33,352,794.48	87,011,562.10	32,597,275.34	100,224,645.48	32,923,012.58	104,097,362.09	23,437,168.68
Liabilities in foreign currencies		41,672,256.60		41,694,065.63		42,182,144.46	40,647,006.47
Liabilities on report transactions		19,869,899.50		20,333,730.38		20,511,752.75	20,549,050.00
Other liabilities		32,058,235.92		31,987,271.73		33,398,748.76	33,831,628.65
	676,413.104.12		676,551.763.22			682,639.078.06	684,088.906.10

of the loan contracted with the United States of America in 1925 (Messrs Dillon, Read and Co.), as well as to effect other

payments abroad without diminishing the reserves of foreign currencies, which on the contrary in the course of May

rose from £ 51.4 to 53.4 million. The results of the newly created situation appeared only in the statements for



GENERAL VIEW OF THE LAST POZNAŃ FAIR (MARCH 1926)

June 10th, showing an increase of foreign currencies and bills payable abroad up to the amount of $\text{Z} 71$ million. The reserve currencies rose by $\text{Z} 4.9$ million, while the reserves of bills payable abroad decreased only by $\text{Z} 2.9$ million. The inflow of bills payable abroad and for currencies brought in to the Bank of Poland by exports of goods amounted in May to $\text{Z} 31.9$ million. Liabilities of the Bank of Poland payable abroad show a slight decrease from $\text{Z} 61.5$ to 61.2 million. One third of the total liabilities were incurred by report transactions in spite of the increase in reserves of foreign currencies and bills payable abroad, and the decrease of liabilities in foreign currencies. The liabilities of this country continued to exceed the reserves, so that the net reserves of foreign currencies and bills payable abroad gave an adverse balance at the end of May amounting to $\text{Z} 7.8$ million, and at the end of April — $\text{Z} 10.1$ million.

It should be mentioned that the reserve of gold covering the bank notes in circulation increased in May from

$\text{Z} 134.2$ to 134.4 million. A part of this reserve, namely $\text{Z} 77.5$ million is deposited with the Bank of England, as a guarantee for the intervention credit accorded last year by the Federal Reserve Bank to the Bank of Poland.

It will be seen that the total cover in gold at the end of May was $\text{Z} 126.6$ million showing an increase during the month of $\text{Z} 2.5$ million. The ratio of gold cover in relation to the bank notes issued was 32.25% .

The gold cover is composed of:

- 1) bills, delivery orders, payable bonds and coupons,
- 2) silver in bars,
- 3) Polish silver and nickel token coins (the reserve of the Bank up to 5% of the Bank notes issued),
- 4) liabilities of the State Treasury (limited by the bye laws of the Bank to $\text{Z} 50,000.000$).

The cover at the end of April and May is given below (in thousands Z):

	April 30th	May 31st
	303.831	303.137
	124	305
	602	728
	50.000	50.000
	354.558	354.170

The total cover of the bank notes in circulation in gold and assets as per the end of May represented $\text{Z} 480.8$ million, i. e., 116.4% of the circulation.

The amount of bills discounted representing 6.7% of the Bank cover, was maintained during May at the level of about $\text{Z} 300$ million. The difference between bills in portfolio in April and May showed a drop of only $\text{Z} 0.4$ million. ($303.3 - 302.9$).

The discount rate was raised on the 12.8.25 from 10% to 12% and is still maintained. The Polish Government will, it is stated, now take steps with the view to inducing the Bank of Poland to reinstate the former rate of discount *).

*) See page 38 (latest news).



TIMBER BEFORE CONVEYANCE TO DANZIG BY THE VISTULA



FRAGMENT FROM THE POZNAŃ FAIR

In addition to the discount of bills the credit activity of the Bank embraces advances on State Loans and bonds, which are accepted according to the nominal value, or according to the Stock Exchange quotations. As a rule, advances on State Loans

are higher than on any other paper. The rate of interest is 14%. The total amount of advances increased in May from 29·5 to 30·4 million.

Report transactions which were practiced on a large scale last year, were suspended in December last and gra-

dually liquidated. Though limited in extent, they were renewed at the end of March, in May the report of currencies being 20·5 million against 19·9 in April.

LATEST NEWS

WARSAW EXCHANGE:

10.6.26.	20.6.26.
\$ 1 = 2 10'00	2 10'00
£ 1 = , 48·76	, 48·76½

BANK OF POLAND (20.6.26):

ASSETS:

Gold reserve	2 134,602.920·60
Foreign balances	2 72,280.254·39
Bills of exchange	2 305,389.364·81
Loans against securities	2 29,017.034·22

LIABILITIES:

Notes in circulation	2 415,534.590—
Current accounts	2 104,675.103·05

DISCOUNT RATE REDUCED. — By a recently passed act of Parliament made operative as from July 1st 1926 the maximum rate of interest authorised is reduced from 24% to 20% *per annum*. At the same time the maximum for banking transactions has been fixed at 18%, whereas, by a special order of the Minister of Finance, interest on business transacted by State Banks (Bank Gospodarstwa Krajowego, Państwowy Bank Rolny, Pocztowa Kasa Oszczędności) is not to exceed 14%. In this connection the official rate of discount of the Bank of Poland was reduced from 12% to 10% from July 1st 1926.

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